



STATE OF DELAWARE

Information on Federal Awards in Accordance with
OMB Circular A-133

June 30, 2006

(With Independent Auditors' Report Thereon)

STATE OF DELAWARE

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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Honorable Governor and
Honorable Members of the State Legislature
State of Delaware:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Delaware (State) as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements, and have issued our report thereon dated February 12, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Items 06-FIN-01, 06-FIN-02, 06-FIN-03, 06-FIN-04, and 06-FIN-05 as well as Items 06-DOT-01 and 06-DOT-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Items 06-FIN-01 and 06-FIN-02 to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget and the Department of Finance, management of the State of Delaware, the United States Department of Health and Human Services Office of the Inspector General for Audit, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used for any other purpose. However, under 29 Del. Code Section 10002(d) this report is public record and its distribution is not limited.

KPMG LLP

February 12, 2007



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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards

The Honorable Governor and
Honorable Members of the State Legislature
The State of Delaware:

Compliance

We have audited the compliance of the State of Delaware (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The State's major federal programs are identified in the summary of auditors' results Section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, and the Charter Schools, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2006. Our audit, described below, did not include the operations of Delaware State University, the Delaware State Housing Authority, the Diamond State Port Authority, Riverfront Development Corporation, Delaware Technical and Community College (DTCC) Foundation, and the Charter Schools because either other auditors were engaged to perform audits in accordance with OMB Circular A-133 for these entities, or because more than \$500,000 in federal awards were not expended.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.



We were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below, nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures. These program compliance requirements are:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services – Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Paternity and Support Obligations)	06-CSE-01
Department of Health and Social Services – Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Medical Support Obligations)	06-CSE-02
Department of Health and Social Services – Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Interstate Cases)	06-CSE-03
Department of Services for Children, Youth, and Their Families	93.658	Foster Care – Title IV-E	All	06-CYF-01
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	06-DPH-02
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Level of Effort	06-DPH-10



As described in the accompanying schedule of findings and questioned costs, the State did not comply with certain requirements that are applicable to its Centers for Disease Control and Prevention, Investigations, and Technical Assistance program. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to this program. The program compliance requirements were:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs (Effort Reporting)	06-DPH-07
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs	06-DPH-08

Also, the State did not comply with certain compliance requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major programs. The specific instances of noncompliance are identified and described in the accompanying schedule of findings and questioned costs as follows:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services – Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Allowable Costs (Effort Reporting)	06-AGI-01
	93.667	Social Services Block Grant		
Department of Elections – Commissioner of Elections	90.401	Election Reform Payments	Allowable Costs	06-COE-01
Department of Elections – Commissioner of Elections	90.401	Election Reform Payments	Procurement, Suspension and Debarment	06-COE-02

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Elections – Commissioner of Elections	90.401	Election Reform Payments	Reporting	06-COE-03
Department of Services for Children, Youth, and Their Families	93.658	Foster Care – Title IV-E	Eligibility (Provider Approval)	06-CYF-02
Department of Natural Resources and Environmental Control	66.460	Nonpoint Source Implementation Grants	Procurement, Suspension, and Debarment, Subrecipient Monitoring	06-DNR-04
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs (Effort Reporting)	06-DPH-01
	66.468	Capitalization Grants for Drinking Water State Revolving Funds		
	93.268	Immunization Grants		
	93.917	HIV Care Formula Grants		
Department of Education	84.287	21st Century Community Learning Centers	Subrecipient Monitoring	06-ED-01
Department of Education – Christina School District	84.010	Title I Grants to Local Educational Agencies	Allowable Costs (Effort Reporting)	06-ED-11
	84.027, 84.173	Special Education Cluster		



State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
	84.048	Vocational Education		
	84.367	Improving Teacher Quality State Grants		
Office of Management and Budget	64.005	Grants to States for Construction of State Home Facilities	Davis-Bacon Act	06-OMB-03
Department of Health and Social Services – Division of Substance Abuse and Mental Health	93.959	Block Grant for the Prevention and Treatment of Substance Abuse	Allowable Costs	06-SAM-01

In our opinion, because of the effects of the noncompliance described in the second preceding paragraph, the State did not comply in all material respects, with the requirements referred to above that are applicable to the Centers for Disease Control and Prevention, Investigations, and Technical Assistance program. Also, in our opinion, except for the noncompliance identified in the preceding paragraph and the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding compliance with the requirements identified in the third preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as follows:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services – Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Allowable Costs	06-AGI-02



State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Allowable Costs (Effort Reporting)	06-DEM-01
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Reporting	06-DEM-02
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Subrecipient Monitoring	06-DEM-03
Delaware Emergency Management Agency	97.036	Public Assistance Grants	Subrecipient Monitoring	06-DEM-05
Department of Health and Social Services – Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs	06-DMMA-02
Department of Health and Social Services – Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs (Overpayments to Providers)	06-DMMA-03
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Period of Availability	06-DNG-01
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Allowable Costs (Effort Reporting)	06-DNG-02
Department of Natural Resources and Environmental Control	66.460	Nonpoint Source Implementation Grants	Allowable Costs, Period of Availability	06-DNR-02

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Natural Resources and Environmental Control	66.460	Nonpoint Source Implementation Grants	Matching, Reporting	06-DNR-03
Department of Natural Resources and Environmental Control	15.605, 15.611	Fish and Wildlife Cluster	Allowable Costs	06-DNR-05
Department of Finance – Division of Accounting	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Equipment and Real Property Management	06-DOA-01
Department of Labor	17.258, 17.260	Workforce Investment Act	Allowable Costs (Effort Reporting)	06-DOL-01
Department of Labor	17.258, 17.260	Workforce Investment Act	Eligibility	06-DOL-02
Department of Labor	17.258, 17.260	Workforce Investment Act	Reporting	06-DOL-03
Department of Transportation	20.500, 20.507	Federal Transit Cluster	Reporting	06-DOT-03
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions (Review of Food Instruments to Enforce Price Limitations and Detect Errors)	06-DPH-03
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	06-DPH-04
Department of Health and Social Services – Division of Public Health	93.268	Immunization Grants	Reporting	06-DPH-05
	93.917	HIV Care Formula Grants		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services – Division of Public Health	93.268	Immunization Grants	Allowable Costs	06-DPH-06
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Davis Bacon Act, Procurement, Suspension, and Debarment	06-DPH-09
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Allowable Costs	06-DPH-11
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Subrecipient Monitoring	06-DPH-12
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Earmarking	06-DPH-13
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Equipment and Real Property Management	06-DPH-14
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Reporting	06-DPH-15
Department of Health and Social Services – Division of Social Services	93.596	Child Care Cluster	Eligibility	06-DSS-01
Department of Health and Social Services – Division of Social Services	93.775, 93.777, 93.778	Medical Assistance Cluster	Eligibility	06-DSS-03

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Delaware Technical and Community College	84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Disbursements To or On Behalf of Students)	06-DTC-02
Delaware Technical and Community College – Owens Campus	84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Return of Title IV Funds)	06-DTC-03
	84.048	Vocational Education		
Department of Education	84.027, 84.173	Special Education Cluster	Allowable Costs (Effort Reporting)	06-ED-03
	84.048	Vocational Education		
Department of Education	84.010	Title I Grants to Local Educational Agencies	Reporting	06-ED-04
Department of Education	84.027, 84.173	Special Education Cluster	Level of Effort	06-ED-05
Department of Education – Red Clay School District	84.287	21st Century Community Learning Centers	Allowable Costs (Effort Reporting)	06-ED-06
Department of Education – Indian River School District, Red Clay School District	84.287	21st Century Community Learning Centers	Subrecipient Monitoring	06-ED-07
Department of Education – Christina School District	84.010	Title I Grants to Local Educational Agencies	Procurement	06-ED-08
Department of Education – Christina School District	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions (Schoolwide Programs)	06-ED-09



State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Education – Christina School District	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Eligibility	06-ED-10
Office of Management and Budget	20.205	Highway Planning and Construction Cluster	Cash Management	06-OMB-01

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions identified below, we consider the items identified below by an asterisk (*) to be material weaknesses.

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items:

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services – Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053, 93.667	Aging Cluster Social Services Block Grant	Allowable Costs (Effort Reporting)	06-AGI-01 *

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Health and Social Services – Division of Services for Aging and Adults with Physical Disabilities	93.044, 93.045, 93.053	Aging Cluster	Allowable Costs	06-AGI-02	
Department of Elections – Commissioner of Elections	90.401	Election Reform Payments	Allowable Costs	06-COE-01	*
Department of Elections – Commissioner of Elections	90.401	Election Reform Payments	Procurement, Suspension and Debarment	06-COE-02	*
Department of Elections – Commissioner of Elections	90.401	Election Reform Payments	Reporting	06-COE-03	*
Department of Health and Social Services – Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Paternity and Support Obligations)	06-CSE-01	*
Department of Health and Social Services – Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Medical Support Obligations)	06-CSE-02	*
Department of Health and Social Services – Division of Child Support Enforcement	93.563	Child Support Enforcement	Special Tests and Provisions (Interstate Cases)	06-CSE-03	
Department of Services for Children, Youth, and Their Families	93.658	Foster Care – Title IV-E	Eligibility (Provider Approval)	06-CYF-02	*
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Allowable Costs (Effort Reporting)	06-DEM-01	
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Reporting	06-DEM-02	



State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Subrecipient Monitoring	06-DEM-03
Delaware Emergency Management Agency	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Suspension and Debarment	06-DEM-04
Delaware Emergency Management Agency	97.036	Public Assistance Grants	Subrecipient Monitoring	06-DEM-05
Department of Health and Social Services – Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs	06-DMMA-01
Department of Health and Social Services – Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs	06-DMMA-02
Department of Health and Social Services – Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Allowable Costs (Overpayments to Providers)	06-DMMA-03
Department of Health and Social Services – Division of Medicaid and Medical Assistance	93.775, 93.777, 93.778	Medical Assistance Cluster	Special Tests and Provisions	06-DMMA-04
Department of Health and Social Services – Division of Management Services	10.551, 10.561	Food Stamp Cluster	Eligibility	06-DMS-01
	93.558	Temporary Assistance for Needy Families		
	93.596	Child Care Cluster		
	93.767	State Children’s Health Insurance Program		

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
	93.775, 93.777, 93.778	Medical Assistance Cluster		
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Period of Availability	06-DNG-01
Delaware National Guard	12.401	National Guard Military Operations and Maintenance Projects	Allowable Costs (Effort Reporting)	06-DNG-02
Department of Natural Resources and Environmental Control	66.001	Air Pollution Control Program Support	Allowability/Allowable Costs	06-DNR-01
Department of Natural Resources and Environmental Control	66.460	Nonpoint Source Implementation Grants	Allowable Costs, Period of Availability	06-DNR-02
Department of Natural Resources and Environmental Control	66.460	Nonpoint Source Implementation Grants	Matching, Reporting	06-DNR-03
Department of Natural Resources and Environmental Control	66.460	Nonpoint Source Implementation Grants	Procurement, Suspension, and Debarment, Subrecipient Monitoring	06-DNR-04 *
Department of Natural Resources and Environmental Control	15.605, 15.611	Fish and Wildlife Cluster	Allowable Costs	06-DNR-05
Department of Finance – Division of Accounting	16.007, 97.004, 97.042, 97.067	Homeland Security Cluster	Equipment and Real Property Management	06-DOA-01
Department of Labor	17.258, 17.260	Workforce Investment Act	Allowable Costs (Effort Reporting)	06-DOL-01

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Labor	17.258, 17.260	Workforce Investment Act	Reporting	06-DOL-03	
Department of Transportation	20.500, 20.507	Federal Transit Cluster	Reporting	06-DOT-03	
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs (Effort Reporting)	06-DPH-01	*
	66.468	Capitalization Grants for Drinking Water State Revolving Funds			
	93.268	Immunization Grants			
	93.917	HIV Care Formula Grants			
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	06-DPH-02	*
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions (Review of Food Instruments to Enforce Price Limitations and Detect Errors)	06-DPH-03	
Department of Health and Social Services – Division of Public Health	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	06-DPH-04	

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Health and Social Services – Division of Public Health	93.268	Immunization Grants	Reporting	06-DPH-05	
	93.917	HIV Care Formula Grants			
Department of Health and Social Services – Division of Public Health	93.268	Immunization Grants	Allowable Costs	06-DPH-06	
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs (Effort Reporting)	06-DPH-07	*
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Allowable Costs	06-DPH-08	*
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Davis Bacon Act, Equipment and Real Property Management, Procurement, Suspension, and Debarment	06-DPH-09	*
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Level of Effort	06-DPH-10	*
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Allowable Costs	06-DPH-11	
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Subrecipient Monitoring	06-DPH-12	

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number
Department of Health and Social Services – Division of Public Health	93.917	HIV Care Formula Grants	Earmarking	06-DPH-13
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Equipment and Real Property Management	06-DPH-14
Department of Health and Social Services – Division of Public Health	93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance	Reporting	06-DPH-15
Department of Health and Social Services – Division of Social Services	10.551, 10.561	Food Stamp Cluster	Special Tests and Provisions (ADP for Food Stamps)	06-DSS-02
Delaware Technical and Community College	84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster	Eligibility	06-DTC-01
Delaware Technical and Community College	84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Disbursements To or On Behalf of Students)	06-DTC-02
Delaware Technical and Community College – Owens Campus	84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster	Special Tests and Provisions (Return of Title IV Funds)	06-DTC-03
Department of Technology and Information	10.551, 10.561	Food Stamp Cluster	Eligibility	06-DTI-01
	10.557	Supplemental Nutrition Program for Women, Infants, and Children	Eligibility	

State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
	17.225	Unemployment Insurance	Eligibility		
	17.258, 17.260	Workforce Investment Act	Eligibility		
	20.205	Highway Planning and Construction Cluster	Reporting		
	20.500, 20.507	Federal Transit Cluster	Reporting		
	93.558	Temporary Assistance for Needy Families	Eligibility		
	93.563	Child Support Enforcement	Eligibility		
	93.596	Child Care Cluster	Eligibility		
	93.767	State Children's Health Insurance Program	Eligibility		
	93.775, 93.777, 93.778	Medical Assistance Cluster	Eligibility		
Department of Education	84.287	21st Century Community Learning Centers	Subrecipient Monitoring	06-ED-01	*
Department of Education	84.010	Title I Grants to Local Educational Agencies	Reporting	06-ED-02	
	84.048	Vocational Education			
	84.027, 84.173	Special Education Cluster			



State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Department of Education	84.027, 84.173	Special Education Cluster	Allowable Costs (Effort Reporting)	06-ED-03	
	84.048	Vocational Education			
Department of Education	84.010	Title I Grants to Local Educational Agencies	Reporting	06-ED-04	
Department of Education	84.027, 84.173	Special Education Cluster	Level of Effort	06-ED-05	
Department of Education – Red Clay School District	84.287	21st Century Community Learning Centers	Allowable Costs (Effort Reporting)	06-ED-06	
Department of Education – Indian River School District, Red Clay School District	84.287	21st Century Community Learning Centers	Subrecipient Monitoring	06-ED-07	
Department of Education – Christina School District	84.010	Title I Grants to Local Educational Agencies	Procurement	06-ED-08	
Department of Education – Christina School District	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Eligibility	06-ED-10	
Department of Education – Christina School District	84.010 84.027,	Title I Grants to Local Educational Agencies	Allowable Costs (Effort Reporting)	06-ED-11	*
	84.173	Special Education Cluster			
	84.048	Vocational Education			
	84.367	Improving Teacher Quality State Grants			



State Agency	CFDA No.	Program	Compliance Requirement	Finding Number	
Office of Management and Budget	20.205	Highway Planning and Construction Cluster	Cash Management	06-OMB-01	
Office of Management and Budget	64.005	Grants to States for Construction of State Home Facilities	Allowable Costs	06-OMB-02	
Office of Management and Budget	64.005	Grants to States for Construction of State Home Facilities	Davis-Bacon Act	06-OMB-03	*
Department of Health and Social Services – Division of Substance Abuse and Mental Health	93.959	Block Grant for the Prevention and Treatment of Substance Abuse	Allowable Costs	06-SAM-01	*

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2006, and have issued our report thereon dated February 12, 2007. We did not audit the financial statements of the discretely presented component units. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



This report is intended solely for the information and use of the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget and the Department of Finance, management of the State of Delaware, the United States Department of Health and Human Services Office of the Inspector General for Audit, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used for any other purpose. However, under 29 Del. Code Section 10002(d), this report is public record and its distribution is not limited.

A handwritten signature in blue ink, reading "R. Thomas Wagner".

KPMG LLP

Auditor of Accounts
Dover, Delaware
March 1, 2007

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Agriculture			
Uncataloged Program	10.000		\$ 35,056
Plant and Animal Disease, Pest Control, and Animal Care	10.025		300,479
<i>Pass-through from Maryland Department of Agriculture</i>		N5051706	4,439
Conservation Reserve Program	10.069		33,313
Federal-State Marketing Improvement Program	10.156		8,900
Market Protection and Promotion	10.163		12,673
Sustainable Agriculture Research and Education	10.215		-
<i>Pass-through from University of Vermont</i>		N5013101	18,998
Crop Insurance	10.450		76,492
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		448,949
Food Donation	10.550		2,810,326
Food Stamp Cluster			
Food Stamps	10.551		69,201,465
State Administrative Matching Grants for Food Stamp Program	10.561		8,095,352
Total Food Stamp Cluster			77,296,817
Child Nutrition Cluster			
School Breakfast Program	10.553		4,880,652
National School Lunch Program	10.555		16,579,903
Special Milk Program for Children	10.556		41,337
Summer Food Service Program for Children	10.559		1,157,237
Total Child Nutrition Cluster			22,659,128
Special Supplemental Nutrition Program for Women, Infants & Children	10.557		16,768,765
Child and Adult Care Food Program	10.558		10,314,684
State Administrative Expenses for Child Nutrition	10.560		541,641
Emergency Food Assistance Cluster			
Emergency Food Assistance Program (Administrative Costs)	10.568		89,238
Emergency Food Assistance Program (Food Commodities)	10.569		706,452
Total Emergency Food Assistance Cluster			795,690
Cooperative Forestry Assistance	10.664		616,138
Rural Development, Forestry, and Communities	10.672		1,319
Forest Legacy Program	10.676		6
Forest Land Enhancement Program	10.677		25,560
Forest Stewardship Program	10.678		5,516
Community Facilities Loans and Grants	10.766		45,904
Rural Business Enterprise Grants	10.769		174,667
Farm and Ranch Lands Protection Program	10.913		2,335,191
Wildlife Habitat Incentive Program	10.914		516
Total U.S. Department of Agriculture			135,331,167

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Commerce			
Public Works and Economic Development Cluster			
Economic Adjustment Assistance	11.307		113,000
Total Public Works and Economic Development Cluster			113,000
Coastal Zone Management Administration Awards	11.419		1,724,091
Coastal Zone Management Estuarine Research Reserves	11.420		906,872
<i>Pass-through from Mississippi Department of Marine Resources</i>		N5112201	30,000
Marine Mammal Data Program	11.439		56,996
Unallied Science Program	11.472		266,592
Atlantic Coastal Fisheries Cooperative Management Act	11.474		196,497
Educational Partnership Program	11.481		
<i>Pass-through from Florida A & M University</i>		N3061901	3,206
Total U.S. Department of Commerce			3,297,253
U.S. Department of Defense			
Uncataloged Program	12.000		119,107
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		45,106
National Guard Military Operations and Maintenance (O&M) Projects	12.401		6,299,921
Total U.S. Department of Defense			6,464,133
U.S. Department of Housing and Urban Development			
Supportive Housing Program	14.235		1,628,785
Fair Housing Assistance Program - State and Local	14.401		173,092
Fair Housing Initiatives Program (FHIP)	14.408		1,488
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900		645,135
Total U.S. Department of Housing and Urban Development			2,448,501
U.S. Department of the Interior			
Uncataloged Program	15.000		19,370
Fish and Wildlife Cluster			
Sport Fish Restoration	15.605		2,478,342
Wildlife Restoration	15.611		1,395,247
Total Fish and Wildlife Cluster			3,873,589

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S Department of the Interior (continued)			
Cooperative Endangered Species Conservation Fund	15.615		98,407
Sportfishing and Boating Safety Act	15.622		90
Wildlife Conservation and Restoration	15.625		19,119
Landowner Incentive	15.633		147,306
State Wildlife Grants	15.634		517,075
Historic Preservation Fund Grants-In-Aid	15.904		493,097
Outdoor Recreation, Acquisition, Development and Planning	15.916		22,167
Total U.S. Department of the Interior			5,190,220
U.S. Department of Justice			
Uncataloged Program	16.000		143,839
State Domestic Preparedness Equipment Support Program	16.007		2,755,931
Offender Reentry Program	16.202		1,306,220
Juvenile Accountability Incentive Block Grants	16.523		984,433
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540		533,860
Victims of Child Abuse	16.547		
<i>Pass-through from National CASA Association</i>		N3051305	22,016
Title V - Delinquency Prevention Program	16.548		85,260
Part E - State Challenge Activities	16.549		67,905
State Justice Statistics Program for Statistical Analysis Centers	16.550		40,608
National Criminal History Improvement Program (NCHIP)	16.554		287,630
National Institute of Justice Research, Evaluation, and Development	16.560		57,950
Crime Laboratory Improvement_Combined Offender DNA Index System Backlog Reduction			
	16.564		11,306
Crime Victim Assistance	16.575		1,755,594
Crime Victim Compensation	16.576		207,791
Byrne Formula Grant Program	16.579		1,192,839
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants	16.580		
<i>Pass-through from National Governor's Association Center for Best Practices</i>		N3081901	354,788
Drug Court Discretionary Grant Program	16.585		7,872
Violence Against Women Formula Grants	16.588		683,420
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589		1,268
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		11,257
Local Law Enforcement Block Grants Program	16.592		98,264
Residential Substance Abuse Treatment for State Prisoners	16.593		331,748
Executive Office for Weed and Seed	16.595		471,186
State Criminal Alien Assistance Program	16.606		46,593
Bulletproof Vest Partnership Program	16.607		33,534
Community Prosecution and Project Safe Neighborhoods	16.609		328,725
Public Safety Partnership and Community Policing Grants	16.710		281,707
Enforcing Underage Drinking Laws Program	16.727		336,617
Edward Byrne Memorial Justice Assistance Grant Program	16.738		375,358
Total U.S. Department of Justice			12,815,521

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Labor			
Labor Force Statistics	17.002		607,865
Compensation and Working Conditions	17.005		55,001
Labor Certification for Alien Workers	17.203		181,239
Employment Services Cluster			
Employment Service	17.207		2,590,194
Disabled Veterans' Outreach Program (DVOP)	17.801		227,249
Local Veterans' Employment Representative Program	17.804		334,597
Total Employment Services Cluster			3,152,040
Unemployment Insurance	17.225		102,008,164
Senior Community Service Employment Program	17.235		1,818,734
Trade Adjustment Assistance_Workers	17.245		837,398
Employment and Training Evaluation Projects	17.248		1,200
WIA Cluster			
WIA Adult Program	17.258		4,896,527
WIA Dislocated Workers	17.260		2,147,337
Total WIA Cluster			7,043,863
Employment and Training Administration Pilots, Demonstrations & Research Projects	17.261		11,042
Work Incentives Grant	17.266		181,910
WIA Incentive Grants-Section 503 Grants to States	17.267		31,116
Consultation Agreements	17.504		360,480
OSHA Data Initiative	17.505		29,038
Employment Programs for People with Disabilities	17.720		268,472
Total U.S. Department of Labor			116,587,561
U.S. Department of Transportation			
Uncataloged Program	20.000		1,763,854
<i>Pass-through from Virginia Tech to Delaware Technical Community College</i>		N5030401	42,886
Airport Improvement Program	20.106		134,983
National Motor Carrier Safety	20.218		592,344
Recreational Trails Program	20.219		517,889
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205		110,024,573
Total Highway Planning and Construction Cluster			110,024,573

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Transportation (continued)			
Federal Transit Cluster			
Federal Transit-Capital Investment Grants	20.500		1,565,877
Federal Transit-Formula Grants	20.507		<u>2,704,763</u>
Total Federal Transit Cluster			<u>4,270,640</u>
Federal Transit-Metropolitan Planning Grants	20.505		240,826
Formula Grants for Other Than Urbanized Areas	20.509		511,974
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		363,533
Transit Planning and Research	20.514		26,816
State Planning and Research	20.515		31,397
Job Access_Reverse Commute	20.516		789,852
Highway Safety Cluster			
State and Community Highway Safety	20.600		938,509
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		127,860
Occupant Protection	20.602		238,544
Federal Highway Safety Data Improvements Incentive Grants	20.603		97,575
Safety Incentive Grants for Use of Seatbelts	20.604		177,120
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605		<u>294,638</u>
Total Highway Safety Cluster			<u>1,874,245</u>
Pipeline Safety	20.700		36,023
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>86,068</u>
Total U.S. Department of Transportation			<u>121,307,901</u>
U.S. Department of Treasury			
Tax Relief Reconciliation Act	21.000		589,400
Treasury Programs	21.USAG Treasury		<u>3,008</u>
Total U.S. Department of Treasury			<u>592,408</u>
Equal Employment Opportunity Commission			
Employment Discrimination - Title VII o/t Civil Rights Act of 1964	30.001		418,545
Employment Discrimination - State and Local Fair Employment Practices	30.002		<u>15,042</u>
Total Equal Employment Opportunity Commission			<u>433,586</u>

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
National Foundation on Arts and the Humanities			
Promotion of the Arts - Grants to Organizations and Individuals	45.024		6,563
Promotion of the Arts - Partnership Agreements	45.025		661,748
Promotion of the Humanities_Federal / State Partnership	45.129		
<i>Pass-through from Nat'l Foundation on Artist Humanities to DE Humanities Forum</i>	45.129	N3121803	4,127
State Library Program	45.310		806,123
Total National Foundation on Arts and the Humanities			1,478,561
National Science Foundation			
Education and Human Resources	47.076		55,808
<i>Pass-through from National Science Foundation</i>	47.076	N1021606	3,095
<i>Pass-through from National Science Foundation</i>	47.076	N1021699	6,430
<i>Pass-through from National Science Foundation</i>	47.076	N0092599	96
Total National Science Foundation			65,429
U.S. Department of Veterans Administration			
Grants to States for Construction of State Home Facilities	64.005		10,836,858
Burial Expenses Allowance for Veterans	64.101		230,207
State Cemetery Grants	64.203		209,704
Total U.S. Department of Veterans Administration			11,276,769
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		1,163,136
State Indoor Radon Grants	66.032		93,095
Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		168,429
Water Pollution Control State and Interstate Program Support	66.419		805,678
State Public Water System Supervision	66.432		516,294
State Underground Water Source Protection	66.433		85,237
Surveys, Studies, Investigations, Demonstrations & Training Grants, Section 1442 of the Clean Water Act	66.436		27,733
Water Quality Management Planning	66.454		102,848
Capitalization Grants for Clean Water State Revolving Funds	66.458		10,346,512
Nonpoint Source Implementation Grants	66.460		1,781,101
Wetland Program Grants	66.461		18,857

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Environmental Protection Agency (continued)			
Chesapeake Bay Program	66.466		285,155
Wastewater Operator Training Grant Program (Technical Assistance)	66.467		16,311
Capitalization Grants for Drinking Water State Revolving Funds	66.468		4,742,557
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs			
	66.471		48,959
Beach Monitoring and Notification Program Implementation Grants	66.472		205,125
Water Protection Grants to the States	66.474		33,182
Wetland Prog Grants-St Tribal Env Outcome Wetlands Demo Prog	66.479		25,362
Environmental Protection_Consolidated Research	66.500		27,739
Office of Research and Development Consolidated Research	66.511		52,995
Regional Environmental Monitoring and Assessment Program (REMAP) Research	66.512		43,593
Performance Partnership Grants	66.605		304,536
Surveys, Studies, Investigations and Special Purpose Grants	66.606		177,762
Environmental Information Exchange Network Grant Program	66.608		636,282
TSCA Title IV State Lead Grants Certification of Lead_Based Paint Professionals	66.707		171,856
Pollution Prevention Grants Program	66.708		71,279
Hazardous Waste Management State Program Support	66.801		728,565
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements			
	66.802		320,577
State and Tribal Underground Storage Tanks Program	66.804		173,727
Leaking Underground Storage Tank Trust Fund Program	66.805		624,927
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809		700,092
Brownfield Pilots Cooperative Agreements	66.811		36,872
State and Tribal Response Program Grants	66.817		605,716
Total U.S. Environmental Protection Agency			25,142,087
U.S. Department of Energy			
State Energy Program	81.041		343,342
Weatherization Assistance for Low-Income Persons	81.042		551,724
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance			
	81.117		40,692
State Energy Program Special Projects	81.119		1,254
Total U.S. Department of Energy			937,012
Federal Emergency Management Agency			
Flood Mitigation Assistance	83.536		106,040
Pre-Disaster Mitigation	83.557		44,876
Emergency Operations Centers	83.563		2,958
Total Federal Emergency Management Agency			153,875

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Education			
Uncataloged Program	84.000		45,010
Adult Education - State Grant Program	84.002		1,539,472
Title I Grants to Local Educational Agencies	84.010		33,901,311
Migrant Education - State Grant Program	84.011		268,578
Title I Program for Neglected and Delinquent Children	84.013		287,473
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027		28,281,523
Special Education - Preschool Grants (IDEA Preschool)	84.173		1,144,132
Total Special Education Cluster			29,425,656
Impact Aid	84.041		47,209
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		252,795
Federal Work Study Program	84.033		234,010
Federal Pell Grant Program	84.063		6,375,901
Total Student Financial Assistance Cluster			6,862,706
TRIO Cluster			
TRIO - Student Support Services	84.042		526,923
TRIO - Talent Search	84.044		553,103
TRIO - Upward Bound	84.047		1,513,419
Total TRIO Cluster			2,593,445
Vocational Education - Basic Grants to States	84.048		4,896,042
Leveraging Educational Assistance Partnership	84.069		213,347
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		8,875,735
Independent Living - State Grants	84.169		275,794
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177		247,528
Special Education - Grants for Infants and Families with Disabilities	84.181		2,664,065
Safe and Drug-Free Schools and Communities - National Programs	84.184		74,914
Byrd Honors Scholarships	84.185		105,750
Safe and Drug-Free Schools and Communities - State Grants	84.186		2,346,200
Supported Employment Services for Individuals with Severe Disabilities	84.187		298,561
Education for Homeless Children and Youth	84.196		143,876
Even Start - State Educational Agencies	84.213		960,004
Fund for the Improvement of Education	84.215		588,513
Rehabilitation Services Demonstration and Training Programs	84.235		538,859
Tech-Prep Education	84.243		499,959
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265		46,287
Charter Schools	84.282		1,131,779
Twenty-First Century Community Learning Centers	84.287		5,048,381
State Grants for Innovative Programs	84.298		1,224,935

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Education (continued)			
Education Technology State Grants	84.318		2,321,133
Special Education_State Program Improvement Grants for Children with Disabilities	84.323		586,184
Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		177,309
Advanced Placement Program	84.330		55,049
Grants to States for Incarcerated Youth Offenders	84.331		31,762
Comprehensive School Reform Demonstration	84.332		509,957
Child Care Access Means Parents in School	84.335		29,228
Community Technology Centers	84.341		47,975
TRIO_Dissemination Partnership Grants	84.344		167,865
Vocational Education_Occupational and Employment Information State Grants	84.346		132,597
Reading First State Grants	84.357		2,429,538
Rural Education	84.358		136,861
English Language Acquisition Grants	84.365		875,136
Mathematics and Science Partnerships	84.366		693,935
Improving Teacher Quality State Grants	84.367		14,476,609
Grants for State Assessments and Related Activities	84.369		4,345,204
National Science & Mathematics Access to Retain Talent (SMART) Grants	84.376		528,131
Hurricane Recovery	84.938		76,500
Total U.S. Department of Education			132,772,362
U.S. Department of Elections			
Election Reform Payments	90.401		2,286,808
Total U.S. Department of Elections			2,286,808
U.S. Department of Health and Human Services			
Public Health and Social Services Emergency Fund	93.003		813,713
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006		170,978
Medical Reserve Corps Small Grant Program	93.008		14,738
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		31,271
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042		54,989
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043		109,740
Aging Cluster			
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044		2,220,323
Special Programs for the Aging-Title III, Part C, Nutrition Services	93.045		2,794,293
Nutrition Services Incentive Program	93.053		630,877
Total Aging Cluster			5,645,492

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Health and Human Services (continued)			
Special Programs for the Aging-Title IV and Title II Discretionary Projects	93.048		80,547
Alzheimer's Disease Demonstration Grants to States	93.051		154,743
National Family Caregiver Support	93.052		991,620
Food and Drug Administration Research	93.103		2,594
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		1,538,782
Maternal and Child Health Federal Consolidated Programs	93.110		240,436
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		232,552
Emergency Medical Services for Children	93.127		78,720
Primary Care Services, Resource Coordination and Development	93.130		254,459
Injury Prevention and Control Research and State and Community Based Programs	93.136		136,642
Projects for Assistance in Transition from Homelessness (PATH)	93.150		295,761
Grants for State Loan Repayment	93.165		15,200
Disabilities Prevention	93.184		74,862
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		147,716
Family Planning Services	93.217		1,301,671
Consolidated Knowledge Development and Application (KD&A) Program	93.230		75,872
Abstinence Education	93.235		110,545
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		92,217
Substance Abuse and Mental Health Services_Projects of Regional	93.243		131,713
Universal Newborn Hearing Screening	93.251		8,783
State Planning Grant_Health Care Access for the Uninsured	93.256		152,034
Rural Access to Emergency Devices Grant	93.259		101,162
Immunization Grants	93.268		5,048,866
Drug Abuse Research Programs	93.279		
<i>Pass-through from Treatment Research Institute</i>		N9123001	4,022
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		10,978,576
Research Infrastructure	93.389		263,081
<i>Pass-through from University of Delaware</i>		N5030705	
<i>Pass-through from University of Delaware</i>		N4012901	
<i>Pass-through from University of Delaware</i>		N4012902	
Promoting Safe and Stable Families	93.556		667,729
Temporary Assistance for Needy Families	93.558		36,766,838
Child Support Enforcement	93.563		19,951,101
Child Support Enforcement Research	93.564		53,741
Refugee and Entrant Assistance-State Administered Programs	93.566		330,335
Low-Income Home Energy Assistance	93.568		7,692,770
Community Services Block Grant	93.569		3,384,243
Community Services Block Grant Discretionary Awards_Community Food and Nutrition	93.571		15,000
Empowerment Zones Program	93.585		35,799
State Court Improvement Program	93.586		74,310
Child Care Cluster			
Child Care Mandatory & Matching Funds of the Child Care and Development Fund	93.596		13,944,438
Total Child Care Cluster			13,944,438

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
U.S. Department of Health and Human Services (continued)			
Grants to States for Access and Visitation Programs	93.597		88,173
Chafee Education and Training Vouchers Program (ETV)	93.599		71,536
Head Start	93.600		179,130
Voting Access for Individuals with Disabilities	93.617		109,013
Developmental Disabilities Basic Support and Advocacy Grants	93.630		431,905
Developmental Disabilities Projects of National Significance	93.631		48,295
Children's Justice Grants to States	93.643		98,107
Child Welfare Services - State Grants	93.645		687,330
Foster Care - Title IV-E	93.658		5,672,116
Adoption Assistance	93.659		1,612,082
Social Services Block Grant	93.667		5,545,147
Child Abuse and Neglect State Grants	93.669		112,376
Family Violence Prevention and Services/Grants for Battered Women's Shelters, Grants to States and Indian Tribes	93.671		758,809
Chafee Foster Care Independent Living	93.674		504,569
State Children's Insurance Program	93.767		7,651,619
Medicaid Cluster			
State Medicaid Fraud Control Units	93.775		1,061,571
State Survey and Certification of Health Care Providers and Suppliers	93.777		1,181,771
Medical Assistance Program	93.778		494,505,447
Total Medicaid Cluster			496,748,789
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		863,069
State Pharmaceutical Assistance Programs	93.786		420,285
Pharmacology, Physiology, and Biological Chemistry Research	93.859		
<i>Pass-through from University of Delaware</i>		N4093003	31,722
Natl Bioterrorism Hospital Preparedness Program	93.889		1,271,482
Grants to States for Operation of Offices of Rural Health	93.913		127,115
HIV Care Formula Grants	93.917		3,797,914
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		200,101
HIV Prevention Activities-Health Department Based	93.940		1,757,337
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		427,098
Improving EMS/Trauma Care in Rural Areas	93.952		43,668
Block Grants for Community Mental Health Services	93.958		1,038,609
<i>Pass-through from Advocacy for Human Potential, Inc.</i>		N4070709	19,098
Block Grants for Prevention and Treatment of Substance Abuse	93.959		6,821,412
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977		459,353
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988		426,984
Preventive Health and Health Services Block Grant	93.991		185,120
Maternal and Child Health Services Block Grant to the States	93.994		1,933,278
Total U.S. Department of Health and Human Services			652,413,042

STATE OF DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Grant Name	CFDA No.	Federal/Pass- through Entity Other Identifying No.	Expenditures
Corporation for National and Community Service			
Retired and Senior Volunteer Program	94.002		175,361
State Commissions	94.003		112,665
Learn and Serve America - School and Community Based Programs	94.004		52,639
AmeriCorps	94.006		749,977
Training and Technical Assistance	94.009		69,660
Foster Grandparent/Senior Companion Cluster			
Foster Grandparent Program	94.011		569,967
Total Foster Grandparent/Senior Companion Cluster			569,967
Total Corporation for National and Community Service			1,730,269
Social Security Administration			
Disability Insurance/SSI Cluster			
Social Security - Disability Insurance	96.001		5,438,078
Total Disability Insurance/SSI Cluster			5,438,078
Total Social Security Administration			5,438,078
U.S. Department Homeland Security			
Homeland Security Cluster			
State Domestic Preparedness Equipment Support Program	97.004		8,868,826
Homeland Security Grant Program	97.067		3,879,114
Total Homeland Security Cluster			12,747,940
Boating Safety Financial Assistance	97.012		474,470
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		45,452
Flood Mitigation Assistance	97.029		203,792
Public Assistance Grants	97.036		2,768,876
Hazard Mitigation Grant	97.039		623,361
Emergency Management Performance Grants	97.042		674,735
State Fire Training Systems Grants	97.043		156
Cooperating Technical Partners	97.045		90,741
Map Modernization Management Support	97.070		79,171
Buffer Zone Protection Plan (BZPP)	97.078		238,228
Total U.S. Department Homeland Security			17,946,921
Total Expenditures of Federal Awards			\$ 1,256,109,463

STATE OF DELAWARE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

(a) General

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the State of Delaware (the State), except for those programs administered by the Delaware State University, the Diamond State Port Authority, the Delaware State Housing Authority, Riverfront Development Corporation, Delaware Technical and Community College (DTCC) Foundation, and the Charter Schools. The State's reporting entity is defined in note 1 to the State's basic financial statements.

(b) Basis of Accounting

The accompanying SEFA is presented using the cash basis of accounting, except for the inclusion of noncash items as required by OMB Circular A-133 as described in note (e) below. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the State's basic financial statements.

(c) Family Federal Education Loan Program

During the fiscal year ended June 30, 2006, Delaware Technical and Community College processed \$5,038,046 of new loans under the Federal Family Education Loan Program (CFDA 84.032). This amount is not included on the SEFA.

(d) Unemployment Insurance Funds

State unemployment tax revenues and the government and nonprofit contributions in lieu of State taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported in the SEFA under CFDA #17.225. The State funds included in the SEFA at June 30, 2006 are \$92,153,000.

(e) Noncash Assistance

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash amounts received by the State are included in the SEFA as follows:

CFDA Number	Program Name	Amount
10.550	Food Donation (Commodities)	\$ 2,810,326
10.569	Emergency Food Assistance Program (Commodities)	706,452
93.268	Immunization Grants (Vaccines)	3,722,585
10.551	Food Stamps (EBT Payments)	69,201,465

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

(1) Summary of Auditors' Results

Financial Statements

- (a) The type of report issued on the basic financial statements: Unqualified opinion.
- (b) Material weaknesses identified in the internal control over financial reporting: Yes.
- (c) Reportable conditions: Yes.
- (d) Noncompliance which is material to the basic financial statements: No.

Federal Awards

- (e) Material weaknesses identified in the internal control over major programs: Yes.

Major programs with material weaknesses:

CFDA No.	Program Name
10.557	Supplemental Nutrition Program for Women, Infants, and Children
16.007, 97.004, 97.042, 97.067	Homeland Security Cluster
64.005	Grants to States for Construction of State Home Facilities
66.460	Nonpoint Source Implementation Grants
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Vocational Education
84.287	21st Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
90.401	Election Reform Payments
93.044, 93.045, 93.053	Aging Cluster
93.268	Immunization Grants

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA No.	Program Name
93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance
93.563	Child Support Enforcement
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
93.917	HIV Care Formula Grants
93.959	Block Grant for the Prevention and Treatment of Substance Abuse

- (f) Reportable conditions identified in the internal control over major programs: Yes

Major programs with reportable conditions:

CFDA No.	Program Name
10.551, 10.561	Food Stamp Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.557	Supplemental Nutrition Program for Women, Infants, and Children
12.401	National Guard Military Operations and Maintenance Projects
15.605, 15.611	Fish and Wildlife Cluster
16.007, 97.004, 97.042, 97.067	Homeland Security Cluster
17.225	Unemployment Insurance
17.258, 17.260	Workforce Investment Act
20.205	Highway Planning and Construction Cluster

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA No.	Program Name
20.500, 20.507	Federal Transit Cluster
64.005	Grants to States for Construction of State Home Facilities
66.001	Air Pollution Control Program Support
66.460	Nonpoint Source Implementation Grants
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Vocational Education
84.287	21st Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
90.401	Election Reform Payments
93.044, 93.045, 93.053	Aging Cluster
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.596	Child Care Cluster
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA No.	Program Name
93.775, 93.777, 93.778	Medical Assistance Cluster
93.917	HIV Care Formula Grants
93.959	Block Grant for the Prevention and Treatment of Substance Abuse
97.036	Public Assistance Grants

- (g) The type of report issued on compliance for major programs:

Disclaimer

93.658	Foster Care Title IV
93.563	Child Support Enforcement

Adverse

93.283	Centers for Disease Control and Prevention, Investigations, and Technical Assistance
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Qualified

16.007, 97.004, 97.042, 97.067	Homeland Security Cluster
64.005	Grants to States for Construction of State Home Facilities
66.460	Nonpoint Source Implementation Grants
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.287	21st Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
90.401	Election Reform Payments

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

93.044, 93.045, 93.053	Aging Cluster
93.667	Social Services Block Grant
93.917	HIV Care Formula Grants
93.959	Block Grant for the Prevention and Treatment of Substance Abuse
10.557	Supplemental Nutrition Program for Women, Infants, and Children
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.048	Vocational Education
93.268	Immunization Grants

Unqualified

10.551, 10.561	Food Stamp Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance Projects
15.605, 15.611	Fish and Wildlife Cluster
17.225	Unemployment Insurance
17.258, 17.260	Workforce Investment Act
20.205	Highway Planning and Construction Cluster
20.500, 20.507	Federal Transit Cluster
66.001	Air Pollution Control Program Support

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

84.007, 84.032, 84.033, 84.063	Student Financial Assistance Cluster
84.369	Grants for Assessment and Related Activities
93.558	Temporary Assistance for Needy Families
93.596	Child Care Cluster
93.767	State Children's Health Insurance Program
93.775, 93.777, 93.778	Medical Assistance Cluster
97.036	Public Assistance Grants

(h) Any audit findings disclosed that are required to be reported under Section 510(a) of OMB Circular A-133: Yes.

(i) Identification of Major Programs:

CFDA Number	Federal Award Number	Program Name
10.551, 10.561	2004IS25441	Food Stamp Cluster
	2005IS251441	
	2005IS251941/2041/IE251841	
	2006IS252041/1941/1841	
	2006IS251441	
	1DE400401	
	2007IS251441	
10.553, 10.555, 10.556, 10.559	2DE300301	Child Nutrition Cluster
	1DE300301	
10.557	2005IW00341-641	Supplemental Nutrition Program for Women, Infants and Children
	2006IW100341/100641	
	2007IW100341/641	
10.558	1DE300301	Child and Adult Care Food Program

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
12.401(continued)	08-91H0003	National Guard Military Operations and Maintenance Projects
	1001, 1003, 1005, 1040	
	1001/1003/1004/1005/1010	
	1001/1003/1005/1040	
	1002	
	1021/1022/1024/1029	
12.401	1023	
	99180617	
	APPEND 1002	
	APPEND 1023	
	DADA07-00-2-1021;1022;1024	
	DADA07-00-2-1023	
	DAHA 07-00-1023	
	DAHA 07-00-2-1021	
	DAHA 07-00-2-1023	
	DAHA 07-00-H-0001	
	DAHA 07-00-H-0002	
	DAHA 07-00-H-1021	
	DAHA 07-01-2-1001	
	DAHA 07-01-2-1002	
	DAHA 07-95-2-1021	
	DAHA 07-99-H-0001	
	DAHA 07-99-H-1021	
	DAHA 07-99-H-1023	
	HB1, HK1,HJ1,IA1,IA3,FK1,FK2	
	HG2,HG3,HG4	
	NGB 07-94-H-0001	
	NGB 07-94-H-0002	

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Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
12.401 (continued)	NGB 07-94-H-0004	
	NGB 07-95-H-0001	
	NGB 07-95-H-0002	
	NGB 07-96-H-0001	
	NGB 07-96-H-0002	
	NGB 07-96-H-0004	
	NGB 07-97-H-0001	
	NGB 07-97-H-0002	
	NGB 07-97-H-0003	
	NGB 07-97-H-0004	
	NGB 07-98-H-0001	
	NGB 07-98-H-0002	
	NGB 07-98-H-0003	
	NGB 07-98-H-0004	
	NGB-07-92-H-0001	
	NGB-07-93-H-0001,-0005	
15.605, 15.611	501814-G-003	Fish and Wildlife Cluster
	F-2-D-55	
	F-2-D-56	
	F-33-R-25	
	F-41-R-18	
	F-41-R-19	
	F-42-R-18	
	F-43-E-16	
	F-43-E-17	
	F-47-R-16	
	F-47-R-17	
	F-48-D-14	

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Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
15.605, 15.611(continued)	F-48-D-15	
	F-50-D-4	
	F-50-D-5	
	F-50-D-6	
	F-51-T-13	
	F-51-T-14	
	F-52-C-13	
	F-52-C-14	
	F-56-R-10	
	F-56-R-11	
	F-56-R-12	
	F-65-R-5	
	F-65-R-6	
	F-70-D-3	
	F-70-D-4	
	F-73-R-2	
	F-73-R-3	
	F-74-D-2 AMEND#3	
	F-74-D-3	
	F-75-R-1	
	F-75-R-2	
	F-76-D-1	
	F-77-T-1	
	F-77-T-2	
	SPAWNING	
	W-21-R-41	
	W-21-R-42	
	W-30-C13	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
15.605, 15.611(continued)	W-30-C-14	
	W-34-S-10	
	W-34-S-9	
	W-35-R-8	
	W-35R-9	
	W-36R-8	
	W-36-R-9	
	W-37-R-8	
	W-37-R-9	
	W-38-R-8	
	W-38-R-9	
	W-5-D-58	
	W-5-D-59	
16.007, 97.004, 97.042, 97.067	2003-MU-T3-0039	Homeland Security Cluster
	2003-TE-TX-0157	
	2004-GE-T4-0021	
	2005-GE-T5-0011	
	2006-EM-E6-0004	
	2006-GE-T6-0060	
17.225	UI-12630-03-55	Unemployment Insurance
	UI-13539-04-55	
	UI-14426-05-55	
	UI-15113-06-55	
	2206	
	UI-15790-07-55	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
17.258, 17.260	AA120030250	Workforce Investment Act
	AA-12917-03-50	
	AA-13790-04-50	
	AA137900450	
	AA-14667-05-55	
	AA-15471-06-55	
	AN143190460	
	EM134270360	
20.205	VARIOUS	Highway Planning and Construction Cluster
20.500, 20.507	DE-03-0016-01	Federal Transit Cluster
	DE-03-0022-00	
	DE-90-X026-00	
	DE-90-X027-00	
64.005	10-001	Grants to States for Construction of State Home Facilities
66.001	A-98315506-0	Air Pollution Control Program Support
66.460	C9-98312803-2	Nonpoint Source Implementation Grants
	C9-98312804-2	
	C9-98312805-0	
	C998312806	
66.468	FS 993914-99-0	Capitalization Grants for Drinking Water State Revolving Funds
	FS-99391401	
	FS-99391402-0	
	FS-99391403-1	
	FS-993914-04	
	FS-993914050	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
66.468 (continued)	FS99391405-0	
	FS993914-99-0	
	FS-99391499-2	
84.007, 84.032, 84.033, 84.038, 84.063	P007A050811	Student Financial Assistance Cluster
	P007A050812	
	P007A050814	
	P007A050815	
	P007A060811	
	P007A060812	
	P007A060814	
	P007A060815	
	P033A010811	
	P033A050811	
	P033A050812	
	P033A050814	
	P033A050815	
	P033A060811	
	P033A060812	
	P033A060815	
	P033A06814	
	P033A990811	
	P063P041233	
	P063P051233	
	P063P052885	
	P063P053468	
	P063P053817	
	P063P061233	
	P063P062885	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
84.007, 84.032, 84.033, 84.038, 84.063(continued)	P063P063468	
	P063P063817	
84.010	S010A020008	Title I Grants to Local Educational Agencies
	S010A030008	
	S010A040008	
	S010A050008	
	S010A060008	
	S10A030008	
84.027, 84.173	H027A010022	Special Education Cluster
	H027A020022A	
	H027A040022	
	H027A050022	
	H027A060022	
	H027A1010022	
	H1713A060025	
	H173A020005	
	H173A040025	
	H173A050025	
	H173A060025	
	HA731040025	
84.048	V048A030008	Vocational Education Basic Grants to States
	V048A040008	
	V048A050008	
	V048A060008	
	VEP3PS407	
	VO48A030008	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
84.287	S287C040052	21st Century Community Learning Centers
	S287C050052	
	S287C060052	
84.367	S367A020007	Improving Teacher Quality State Grants
	S367A030007	
	S367A040007	
	S367A050007	
	S367A060007	
	S367B040008	
	S367B050008	
	S367B060008	
84.369	S369A040008	Grants for Assessment and Related Activities
	S369A050008	
	S369A060008	
90.401	47-0601-0-1-808	Election Reform Payments
93.044, 93.045, 93.053	05AADENSIP	Aging Cluster
	06AADENSIP	
	07AADENSIP	
	2-04AADE1320	
	2-04AADE1712	
	2-04AADENSIP	
	2-05AADET3SP	
	2-06AADET3SP	
93.268	H23/CCH322567-03	Immunization Grants
	H23/CCH322567-04	
93.283	1 U50 CI000492-01	Centers for Disease Control and Prevention, Investigations and Technical Assistance
	U50/CCU319689-05	
	U55/CCU321881-03	
	U55/CCU321881-04	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
93.283 (continued)	U55/CCU321881-05	
	U58/CCU322784-03	
	U58/CCU322784-04	
	U90/CCU316980-05	
	U90/CCU316980-06	
	U90/CCU316980-07	
	UR3/CCU320034-04	
93.558	G-0301DETANF	Temporary Assistance for Needy Families
	G-0401DETANF	
	G-0501DETANF	
	G-0602DETANF	
	G-0702DETANF	
93.563	G-0204DE4004	Child Support Enforcement
	0404DE4004	
	0504DE4004	
	0604DE4004	
	G-0704DE4004	
93.596	G-0301DECCDF	Child Care Cluster
	G-0401DECCDF	
	G-0501DECCDF	
	G-0601DECCDF	
	G-0701DECCDF	
93.658	0101DE1401	Foster Care – Title IV-E
	0501DE1401	
	0601DE1401	
	0701DE1401	
	9801DE1401/1404	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
93.667	G-0301DESOSR	Social Services Block Grant
	G-0401DESOSR	
	G-0501DESOSR	
	G-0601DESOSR	
	G-0701DESOR	
93.767	05-0405DE5021	State Children's Insurance Program
	05-0505DE5021	
	05-0605DE5021	
93.775, 93.777, 93.778	010601DE5050	Medical Assistance Cluster
	010701DE5050	
	05-0305-DE-5001	
	05-0405-DE-5000	
	05-0605-DE-5000	
	05-0605-DE-5001	
	05-0605-DE-5002	
	05-0605DE5028/5048	
	05-0705-DE-5001	
	05-0705-DE-5002	
	05-0705DE5028/5048	
	06-0405DE5028/5048	
93.917	2 X07HA00081-14-00	HIV Care Formula Grants
	2X07HA00081-15-00	
	2 X07HA00081-16-00	

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 1: Summary of Auditors' Results

Year ended June 30, 2006

CFDA Number	Federal Award Number	Program Name
93.959	05B1DESAPT-01	Block Grants for Prevention and Treatment of Substance Abuse
	06B1DESAPT-01	
97.036	FEMA-1494-DR-DE	Public Assistance Grants
	FEMA-1495-DR-DE	
	FEMA-1572-DR-DE	
	FEMA-3263-EM-DE	
	FEMA-1654-DR-DE	

- (j) Dollar threshold used to distinguish between Type A and Type B programs: \$3,768,328
- (k) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: No

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Department of Finance

Reference Number: 06-FIN-01

Type of Finding: Internal Control over Financial Reporting

Comprehensive Annual Financial Report (CAFR) Preparation

Process for Preparation

The CAFR process entails compiling worksheets, completing reconciliations, customizing reports and recording various adjustments. The many sources of information and the extent of modification of financial system data necessary to produce a CAFR results in a financial reporting process that is highly complex and susceptible to errors. There was internal review of the CAFR build-up prior to submitting to the auditors for review, but the process did not detect all of the errors in the build-up. In addition, the new personnel responsible for the CAFR development prepared a more detailed reconciliation, than had been done in the recent past, between the Office of the Treasurer's cash reconciliation and the state's accounting system, which resulted in the identification of a significant reconciliation issue with the roll-forward of cash balances that have historically been reported in the statements. The Division of Accounting spent several weeks conducting a comprehensive review and analysis of reports from the state's accounting system; transfers; supplemental budgetary appropriations, as well other processes and transactions to isolate the errors and identified a \$19.9 million historical reconciling item along with other issues. While a timeline was developed for the completion of major milestones for the CAFR process, none of the significant deadlines were met and we noted that many of the financial reporting deliverables were not completed by the projected deadlines, as a result of the late start and learning curve of new personnel. However, the first draft of the CAFR was more complete and accurate than in prior years, although there continued to be several significant adjustments posted after the first draft.

Additionally, the financial reporting process is dependent on cooperation from component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, accrual accounting (GAAP) packages are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. Many of the outside agencies use systems outside of the current statewide accounting system to gather and track this information since the current system is not robust enough to meet their needs which adds to the complexity of the year-end closing and reconciliation process. The GAAP package reporting process, which includes the preparation of over 180 packages, also relies on the audit to ensure that amounts are accurate and properly supported. In 2006, the new personnel in the Division of Accounting reviewed many of the significant GAAP packages prior to the external audit being completed. We noted errors in the information submitted on the GAAP packages, which were not detected by the Division of Accounting's review process.

Personnel Assigned

There had been a lack of allocation of duties for the preparation of the CAFR in prior years and in 2006, the key person who prepared the CAFR retired. In 2005, the State had more active involvement by Finance staff and additional consultant assistance in preparing certain parts of the CAFR. In 2006, the consultant assistance was hired again to take on a larger role in the CAFR preparation process. This was complemented by additional new personnel hired by the Division of Accounting. These resources were not in place at the Division until three months after year-end. As a result of the additional on the job training time, implementation of new accounting

STATE OF DELAWARE

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and reporting standards for the Statistical Section, and time spent documenting the process, the majority of the CAFR again was not completed until five months after year-end. Other than the hired consultants, none of the key personnel involved with the process have prior experience with the preparation of a financial statement with the size and complexity of the State of Delaware.

Additionally, many of the personnel assigned to complete the GAAP packages sent to the Division of Accounting by the agencies are not trained accountants, and as a result of the lifting of a hiring freeze, there was a significant amount of turnover at the agencies, which resulted in many of the personnel completing the GAAP packages being new to their responsibilities.

Technology

The DFMS system is a cash basis accounting system that does not have the flexibility to accommodate modified accrual accounting and is not easy to obtain ad-hoc reports for financial reporting and analysis. The system does not easily identify by department and agency what cash balances are held by the Treasurer's office. As a result, reports utilized from DFMS are significantly manipulated through spreadsheets to develop the trial balances and the CAFR. In addition, the financial schedules and the Balance Sheet are rolled forward from year to year using an Excel spreadsheet for tracking financial activity for a \$10 billion operation.

Recommendation

We recommend that management continue to refine their review of the work papers used to complete a draft CAFR and approve all significant adjustments, conversion to accrual adjustments and reconciliations. The review should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient financial reporting experience to detect inconsistencies and errors.

Because of the complexity of the report build-up process, management should re-evaluate the process to convert budget-basis DFMS numbers to GAAP basis and limit reconciling adjustments to required material amounts. Additional DFMS reports by GAAP fund should be investigated and utilized for the financial statement build-up process in place of the existing spreadsheet analysis that is completed. In fiscal year 2007, consistency should be put aside as management evaluates the necessity of the adjustments made to the core DFMS reports for CAFR preparation with a focus toward making the year-end financial statements more consistent with management reporting done throughout the year. Additionally, the reconciliation of the Treasurer to CAFR cash balances should be imbedded as a first step in the CAFR preparation process to insure that all cash transactions and balances are properly captured.

We encourage the Division of Accounting to review their staff complement and to establish at least two positions that require significant governmental financial statement preparation experience with a CPA or similar credentials. We encourage the State to expand the knowledge base of the resources in financial reporting to help manage the compilation of various processes and financial statement preparation for the CAFR. These resources are critical to the successful oversight of the GAAP package process and financial reporting processes in the outside departments and agencies that report to the Division of Accounting for year-end financial reporting.

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The improvements in the component unit report formats should be built upon to ensure complete compliance, and comments on potential improvements to the financial statements for 2007 should be communicated to the component units by the Division of Accounting as soon as possible to allow them to plan. Additionally, we continue to recommend these entities be provided with control numbers for items expected to be identified in the financial statements, including; cash held with Treasurer's Office, transfer amounts, debt, and due to/from. These numbers should be identified by the Division of Accounting as soon as the first cash basis close is completed so that the other departments and agencies can work toward verification of the balances through their own closing process.

The GAAP package preparation process should be a priority for all entities/agencies included in the State's financial reporting entity. The importance of accurate and timely submission of financial information should be communicated to the senior management responsible for these entities/agencies. The process to transition the preparation of the GAAP package to new personnel should be planned and coordinated to maximize knowledge transfer. In addition, we recommend that the new internal control resources in the Division of Accounting communicate and train the agency staff year-round to improve the year-end reporting process and develop better information sources to complete the packages. The current year training on GAAP package preparation should be updated to include a more theoretical basis for what should be included in the packages. Areas of focus should include accounting estimates, receivable balances and construction in progress. The number of GAAP packages and personnel assigned to complete them should be reviewed as part of the improvements to year-end reporting to ensure that they comply with the State's policies over internal control and segregation of duties.

As part of the closing process re-engineering, the DOA should review all available DFMS reports, and utilize state resources to brainstorm on what additional reports would be helpful to streamline the reporting process. Any new report created or used in this process should be reconciled back to the core DFMS general ledger report used to complete the financial statements.

Lastly, as the state continues to prepare for the implementation of the new accounting system, every effort should be made to consolidate as much GAAP Package accrual information as practical into the new central system. These items include debt, fixed assets, accounts payable, accruals of payroll and other liabilities, and accounts receivable for all the agencies. The benefits a more robust central system will include a more efficient closing process, as well as better internal controls and more complete information for management decision making throughout the year.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Trisha Neely, Director – Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	<p>The Division of Accounting recognizes the importance of an accurate and timely CAFR preparation process. We have already begun to implement a continuous improvement plan which focuses on streamlining three primary areas: 1) CAFR Preparation Process and Formatting; 2) GAAP Package Process; and 3) Capital Assets and Construction in Progress. The personnel involved in the 2006 CAFR Process as well as the consultants are focused on this improvement process, with the managerial oversight and support of senior management.</p> <p>Recommendations made in this report for improvement in these processes will be incorporated in the continuous improvement plan. In addition, we will:</p> <ul style="list-style-type: none">• Evaluate the feasibility of providing control numbers to the component units for items expected to be identified in the financial statements.• Develop ways to enhance the annual GAAP package training and supplement that training with additional one-on-one training at the agency level, where needed.• Incorporate internal control review of financial statement amounts reported in the GAAP packages.• Establish two additional internal control positions, if approved through the legislative process, to aid in both the CAFR preparation process as well as State organizational internal control reviews.• Establish a senior level position with significant experience in government financial statement preparation to provide functional oversight of the process.• Provide additional training for personnel resources to expand their knowledge base in financial reporting and the internal control review process.• Consolidate GAAP package accrual information requirements in preparation for the new PeopleSoft financials system.
Anticipated Completion Date	Ongoing

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Department of Finance

Reference Number: 06-FIN-02

Type of Finding: Internal Control over Financial Reporting

Capital Assets and Construction in Progress

In order to calculate the ending capital asset balances for inclusion in the CAFR, the State relies on information recorded in the GAAP packages. The Division of Accounting has utilized some of their resources to review the data received from the various departments. The accountants detected numerous errors in the amounts reported by agencies on GAAP packages. As a result of our audit procedures it was determined that the methodology used to capitalize construction in progress did not include amounts included in accounts payable. Additionally, several items were posted to accounts outside of the traditional ledger accounts used to capture fixed asset activity and items were discovered that should have been capitalized. While progress was made in cleaning up the records, much of this effort was accomplished after year-end, which added to the delay in preparing the CAFR.

Recommendation

The capital asset and construction in progress balances comprise a significant portion of the State's total assets. As such, we recommend that the balances be centrally managed by the Division of Accounting including frequent site visits to agencies with significant capital assets and construction projects throughout the year and diligent review of transactions posted to non-capital accounts for items that may be capital in nature. The DOA should use one of the new personnel resources in a capital asset accountant oversight position to ensure that the respective agencies are appropriately maintaining accurate capital asset balances throughout the year, transferring completed projects to the appropriate capital asset category timely, validating the accuracy of system reports and properly calculating ending balances on the GAAP packages. In addition, enhanced training on the proper accounting for capital assets, including construction in process, should be mandatory for all agencies with significant capital asset balances to ensure that each agency is completing GAAP packages and calculating capital asset values consistently and in accordance with the State's policies and generally accepted accounting principles.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Trisha Neely, Director – Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	<p>Accounting for Capital Assets and Construction in Progress continues to be an area of primary focus for the Division's continuous improvement efforts and our goal is to continue to build on the improvements we've implemented during the last two years. Site visits were made to 11 state organizations, in addition to technical assistance and monthly reviews of fixed asset reports to ensure compliance prior to the preparation of the 2006 CAFR. Similar to the GAAP package process, we are considering one-on-one training, or additional site visits to State organizations with material capital assets and construction in progress balances not only to perform internal controls reviews but to ensure the accuracy and completeness in the reporting of capital assets and construction in process balances.</p> <p>The Division of Accounting will review organizations' Capital Assets and Construction in Process policies and procedures to ensure that capital asset values are not only prepared consistently but in accordance with generally accepted accounting principles.</p>
Anticipated Completion Date	Ongoing

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Department of Finance

Reference Number: 06-FIN-03

Type of Finding: Internal Control over Financial Reporting

Information Technology General and Application Controls

The State of Delaware Office of the Auditor of Accounts (AoA) issued in 2004 a report which contained reportable conditions related to the information technology general controls surrounding the State's eligibility determination systems housed in the Biggs Data Center, including the DCIS II System (Medicaid, TANF, Food Stamps), the CCMIS System (Child Care), the WIC System (WIC Program), and the DACSES system (Child Support Enforcement). Additionally, the report contains reportable conditions related to the information technology general controls surrounding the State's Unemployment system, Department of Transportation systems, and the accounting (DFMS) and payroll (PHRST) computer systems, which are housed in the William Penn Data Center. The Biggs Data Center and William Penn Data Center are maintained by the Department of Technology and Information (DTI).

Findings identified in the report, entitled State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, Biggs and William Penn Data Center General Controls Follow-Up, include weaknesses related to the following for the Biggs data center:

- Data security and classification
- User account management
- Data file access and security administration
- File transmissions
- Business resumption
- Physical security and environmental controls
- Program change control
- Tape back-up

Additionally, the following weaknesses were identified for the William Penn data center:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and back up procedures

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Based on interviews with DTI personnel, weaknesses in the following areas have been addressed in the current year:

Biggs

- File transmissions
- Program change control

William Penn

- Operating system and application development
- Data file access and security administration
- Physical security
- Disaster recovery planning and back up procedures

However, the implementation of the corrective action asserted to be taken by DTI to resolve the above issues was not audited.

Recommendation

We continue to recommend that the Department of Technology and Information implement its corrective action plan in the above-mentioned report.

As per the Summary Status of Prior Year Findings, remediation efforts are ongoing but have not yet been completed as of June 30, 2006.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Trisha Neely Director, Division of Accounting	R. Dale Abbott IT Audit Control Specialist, Department of Technology and Information
Agency Contact Phone Number	(302) 672-5500	(302) 739-9634

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2006

Corrective Action Plan	<p>Of the five (5) findings partially implemented from the September 2006 report, three (3) are closed and two (2) are still partially implemented.</p> <p>Windows Domain (everyone group).</p> <p>The recommendations have been implemented to the extent possible; however, some older versions of the Windows Operating System do not allow this recommendation to be fully implemented.</p> <p>Data File Access and Security Administration.</p> <p>As of September 2006: Data File Access and Security Administration – ACF2 accounts with SECURITY or ACCOUNT privileges (finding #11 from the Biggs Data Center report). This recommendation has been partially implemented. The access was corrected; however, no monthly review of access has been implemented.</p> <p>As of 2/22/07: Monthly review of access logs are done at the beginning of each month.</p> <p>Data File Access and Security Administration.</p> <p>As of September 2006: Data File Access and Security Administration – ACF2 accounts with AUDIT privileges (finding #12 from the Biggs Data Center Report). This recommendation has been partially implemented. The access was corrected; however no monthly review of access has been implemented.</p> <p>As of 2/22/07: Monthly review of access logs are done at the beginning of each month.</p> <p>Windows Domain (Group Policy).</p> <p>As of September 2006: Windows Domain (Group Policy) (finding #10 from the fiscal 2005 report). The recommendation has been implemented to the extent possible; however some older versions of the Windows Operating System do not allow this recommendation to be fully implemented.</p> <p>As of 2/22/07: Item is still partially implemented.</p>
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Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

	<p>ACF2 (Restricted Logon ids).</p> <p>As of September 2006: ACF2 (Restricted Logon ids) (finding #12). Logon ids with RESTRICT have been limited, however DTI disagrees with our recommendation to place PROGRAM and SUBAUTH privileges on these IDs.</p> <p>As of 2/22/07: An agreement was met between the auditors doing the review and the technical staff that the status as of September 2006 was going to remain static.</p> <p>The creation and approval of the State of Delaware Information Security Policy addresses the areas noted that involved policy.</p>
Anticipated Completion Date	Ongoing

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Department of Finance

Reference Number: 06-FIN-04

Type of Finding: Internal Control over Financial Reporting

SuperCard Transactions

The State of Delaware Office of the Auditor of Accounts issued a report entitled *Department of Finance, Statewide SuperCard Audit June 30, 2005* in the prior year which contained reportable conditions related to the implementation of the State's procurement and travel card program, known as SuperCard.

The Department of Finance, Division of Accounting, is responsible for the oversight and management of the SuperCard program.

Internal control weaknesses existed in prior year at both the oversight level and within the individual departments. Management's response as to the status of the findings and recommendations noted in the prior year report indicated that, although some items have been corrected, such as updating policies and procedures of the SuperCard program and filling of two Division of Accounting Internal Control positions, the conditions observed in fiscal year 2005 continued to exist during the period under audit.

Summaries of the remaining weaknesses are as follows:

- Policies and procedures are not updated to reflect the current operating processes of the SuperCard program
- Stricter criteria should be included in the policies and procedures regarding who should be issued a SuperCard.
- Departmental monthly reconciliations of SuperCard transactions are not always completed in a timely manner and there is not always evidence of supervisory review and approval of the monthly reconciliations.
- Payments to the Division of Accounting for SuperCard purchases are not always timely and the Division of Accounting did not reconcile the department SuperCard payments on a monthly basis.
- Transactions were not always evidenced by supporting documentation or supervisory approval of the purchase.
- Cash advances are used at some departments throughout the State.
- The Department of Administrative Services (under the Office of Management and Budget as of July 1, 2005) did not always comply with State procurement law when utilizing the SuperCard.

Recommendation

We recommend that the Department of Finance, Division of Accounting continue to implement the recommendations as detailed in the above-referenced report related to weaknesses at the oversight level.

STATE OF DELAWARE

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Year ended June 30, 2006

Questioned Costs

Questioned costs related to federal programs are not determinable as the exceptions noted above include all sources of funding, including State, federal, and other. We noted that, for the major programs audited, SuperCard transactions were not significant.

Views of Responsible Officials

Agency Contact Name	Trisha Neely, Director – Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	<p>Policies and procedures as well as stricter criteria of who should be issued a SuperCard have been incorporated into a revision of the SuperCard program manual. A new policy will be issued later this year.</p> <p>State organizations must complete a monthly certification of internal controls which has taken the place of the monthly reconciliation with the concurrence of the Auditor of Accounts. This process has been spelled out in Accounting Memo # 04-14. There is also an escalation process in place for past due certifications to ensure the certifications are submitted in a timely manner.</p> <p>Cash advances are typically used by individuals who travel on behalf of the state. There are two ways to obtain cash advances with the SuperCard: withdrawal through use of the Automated Teller Machine (ATM) or withdrawal from a bank teller. This policy has been reviewed by the Division of Accounting and the Office of Management and Budget and a decision made that elimination of cash advances is not in the best interest of the traveler or the State. We continue to allow travelers to utilize ATMs for cash withdrawals with appropriate controls. However, we have eliminated the use of inside bank teller withdrawals by inactivating the SuperCard code and updated the statewide travel policy (released December 2006) to reflect this procedure.</p> <p>The Office of Management and Budget has internal policies and procedures enforcing submission of documentation for all SuperCard transactions.</p>
Anticipated Completion Date	Ongoing.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Department of Finance

Reference Number: 06-FIN-05

Type of Finding: Internal Control over Financial Reporting

DFMS Journal Entries

The State of Delaware Office of the Auditor of Accounts issued a report entitled *Statewide Journal Entry Performance Audit, July 1, 2005 – February 28, 2006* in the current year which contained reportable conditions related to the initiation and processing of financial transactions using documents contained in the Delaware Financial Management System (DFMS).

The Department of Finance, Division of Accounting, is responsible for the oversight of the processing of financial transactions in DFMS.

Internal control weaknesses existed at both the oversight level and within the individual agencies/departments/divisions reviewed. Summaries of these weaknesses are as follows:

- Most agencies/departments/divisions selected for review did not have internal written policies and procedures for the processing of journal entry-type transactions.
- Monthly reconciliations of DFMS activity are not performed consistently, if at all, throughout the agencies/departments/divisions.
- DFMS users throughout the agencies/departments/divisions reviewed have access to scan, enter, correct, and delete transactions, and apply both the first and second levels of approval in DFMS to these transactions. In addition, certain agencies allow users to log onto DFMS as other users in order to apply the approvals necessary to process transactions.
- At several agencies/departments/divisions, there is one person who has the ability to prepare financial documents, sign the documents, enter the transaction into DFMS or OMS, apply approval in DFMS or OMS, and prepare the monthly reconciliations. In many cases, a person independent of the process does not review monthly reconciliations. These situations result in a lack of segregation of duties and an increase in control risk within the agencies/departments/divisions.
- Facsimile signature stamps were used as authorization on 68 transactions of the transactions reviewed. These transactions were valued at \$93,665,764.
- 1,371 transactions, valued at \$1,257,965,384, were reviewed at the agencies/departments/divisions selected. Of those transactions:
 - 318 transactions, representing \$265,380,494, did not have supporting documentation. In addition, five documents, valued at 743,473, could not be located.
 - 66 transactions, representing \$6,574,507, did not have proper authorization.

Recommendation

We recommend that the Department of Finance, Division of Accounting implement procedures to correct the conditions detailed in the above-referenced report.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Questioned Costs

There are no questioned costs associated with this finding, as the exceptions noted above did not relate to transactions using federal funds.

Views of Responsible Officials

Agency Contact Name	Trisha Neely, Director – Division of Accounting
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	<p>We have reviewed state organizations' internal policies and procedures and will continue to work with them to ensure accurate reflection of the processing of all data entry transactions. This will become a continual process as the roles and responsibilities of the new internal control positions are fully developed and as policies and procedures change as a result of the implementation of the new financials system.</p> <p>As previously mentioned, Accounting Memo # 04-14 changed the requirement for the submission of monthly reconciliations. The monthly certification of internal controls is now required along with an annual statement of reconciliation. The latest version of the Budget and Accounting Manual update reflects this change.</p> <p>While we don't believe this finding can be fully corrected using the current accounting system, we recognize and enforce the need for proper security and internal controls. The issue, we believe, stems from small organizations that do not have the personnel to provide multiple levels of transactional review. We have tried to control this issue by establishing thresholds at which to apply the third level of approval at the Division of Accounting. For example, an analysis was performed, indicating that over 80% of the Payment Voucher transactions, with a dollar value of less than \$2500; represent less than 20% of the total dollar value of purchases throughout the State. Currently, all PV transactions \$2500 or greater are required to be reviewed by the Division of Accounting. System edits have been applied that will not allow a transaction of \$2500 or greater to process without Division of Accounting approval. While we recognize that all accounting transactions do not fall within this example, we believe we have applied appropriate levels of transactional review for transactions that would materially impact financial reports and have minimized the risks associated with this issue. Further, there have been no indications that fraud or abuse has occurred from organizations that are not able to provide multiple levels of transactional review.</p>

STATE OF DELAWARE

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Year ended June 30, 2006

	<p>We have investigated and brought the improper allowance of DFMS security to the attention of management at Cape Henlopen School District and the Department of Education. We have enabled, through DFMS documentation and security, personnel authorized to have the proper security access from these organizations.</p> <p>We disagree with this recommendation, even though we understand the concern the finding addresses. Facsimile signature stamps are authorized in accordance with 29 Del. Code, Chapter 54. The usage of a facsimile stamp is legal and necessary in numerous cases, given business conditions. The use of a designee in no way limits the responsibility of the official for those transactions. Furthermore, inappropriate use of a facsimile signature is deemed forgery and punishable under forgery laws.</p>
Anticipated Completion Date	Ongoing.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Department of Transportation

Reference Number: 06-DOT-01

Type of Finding: Internal Control over Financial Reporting

Accounting for Capital Assets and Infrastructure

In order to calculate the ending capital asset balances for inclusion in the Department of Transportation (DelDOT) financial statements, DelDOT uses various departmental maintained spreadsheets and reports as well as BACIS expense reports to calculate the balance of capital assets and infrastructure. DelDOT does not currently have a fixed asset subsidiary ledger that can roll-forward all of the elements typically contained in fixed assets records, including asset identification, location, historical cost, acquisition date, useful life, depreciation, accumulated depreciation, and funding source. These records are traditionally rolled forward from beginning of year to end of year with additions, deletions, and depreciation. These records will allow for the required every other year physical inventory of equipment required by the Federal Government, and improve the controls over year-end financial reporting.

The application of the modified approach requires determining if capital program expenditures are for preservation and maintenance or additions to the capacity of infrastructure. The department currently has a sub-appropriation code in BACIS that tracks infrastructure additions so that expenses can be coded correctly when they relate to infrastructure. There appears to be no clear procedure to review all projects to determine if and how much of a project adds capacity to the infrastructure assets for the purposes of financial reporting so the appropriate coding can be done in BACIS. Our review of projects identified three additional projects that were considered by the DelDOT project managers to add system capacity but they were not coded as such in BACIS. The review identified an additional \$20 million in additions and \$28 million of prior period additions related to these projects.

Recommendation

The capital asset infrastructure comprises a significant portion of DelDOT's total assets. As such, we recommend that the balances be centrally managed in a fixed asset subsidiary ledger that has the capability to track current items as described above, additions, deletions and calculate depreciation.

The determination as to whether or not a project adds capacity for purposes of financial reporting should be coded by individuals who have a working knowledge of the project and determined at the beginning stages of the project development. DelDOT should establish clear guidelines and procedures for determining whether a project adds capacity for purposes of financial reporting. The results of this review should be coded into BACIS so that appropriate additions can be identified for the projects.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	<p>The Department of Transportation recognized the importance of managing the capital asset balances for inclusion in the financial statements. As a result of the above noted recommendations the Department proposes the following:</p> <ol style="list-style-type: none">1. Develop a comprehensive Department Policy Implement which identifies clear guidelines and procedures. The development of this policy will involve division directors and staff from Transportation Solutions, Technology and Support Services, Maintenance and Operations as well as Finance. We will work collaboratively in considering a fixed asset subsidiary ledger. The Policy Implement will be provided in draft form to the Directors by January 30, 2007 with a planned implementation by February 28, 2007.
Anticipated Completion Date	February 28, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 2: Financial Statement Findings

Year ended June 30, 2006

Department of Transportation

Reference Number: 06-DOT-02

Type of Finding: Internal Control over Financial Reporting

Accounting for Miscellaneous Revenue

Revenue from contracts settlements and recoveries is not subject to management's review for the purpose of determining the appropriate accounting treatment for year-end financial reporting purposes in accordance with generally accepted accounting principles. The agreements with CSX and Shellpot both required additional review and adjustment.

Recommendation

We recommend that management establish a formal review process over contracts entered into by the Department effecting revenue for the purpose of determining the year-end accounting treatment for all significant transactions.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	A Department Policy Implement will be established identifying the Transportation Trust Fund Administrator as the designated management representative for determining accounting treatment for year-end financial reporting. The Policy Implement will be provided to the directors by January 30, 2007 with a planned implementation by February 28, 2007.
Anticipated Completion Date	February 28, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

This Section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This Section is organized by state agency.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Services for Aging and Adults with Physical Disabilities

Reference Number: 06-AGI-01

Program: 93.044, Aging Cluster

93.045,

93.053

93.667 Social Services Block Grant

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.

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Year ended June 30, 2006

- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Employees who are 100% charged to the Aging Cluster complete semi-annual certifications in accordance with OMB Circular A-87. Employees work on multiple cost objectives; however, while tracking of effort is performed for employees in the Client Services Unit, the Division of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Cause

A system to appropriately allocate salary costs based on effort is in process.

Effect

Salaries may be inappropriately allocated to the Aging Cluster.

Recommendation

We recommend that DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Questioned Costs

Questioned costs are \$1,341,231. This amount was calculated based on the total salaries \$923,743 and fringe costs \$417,488 allocated to the program for individuals subject to time studies.

Views of Responsible Officials

Agency Contact Name	Albert W. Griffith
Agency Contact Phone Number	(302) 255-9355
Corrective Action Plan	The Division of Services for Aging and Adults with Physical Disabilities (DSAAPD) utilizes a federally approved cost allocation system for tracking employee's time. The system to accurately adjust funding corrections is still under development. Currently information is aggregated and requires additional time to provide detailed information. The Division will continue to explore options to monitor and manage the entire process.
Anticipated Completion Date	July 2007

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Department of Health and Social Services

Division of Services for Aging and Adults with Physical Disabilities

Reference Number: 06-AGI-02

Program: 93.044, Aging Cluster
93.045,
93.053

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement(s): Allowable Costs

Criteria

To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be allocable to federal awards under the provisions of this Circular.
- Be adequately documented.

Condition

In prior year single audits, we noted items for administrative costs that were allocated to the Aging Cluster on the basis of total funding available from various funding streams rather than actual usage of these services (including temporary services, security services, pager services, and office supplies) by the program. The program has not corrected this condition and we continue to report this condition as a finding.

Total non-payroll costs other than contractual services for client service charged to the cluster for fiscal year 2006 were \$20,003.

Cause

Administrative expenses have historically been charged on the basis of availability of funding streams rather than actual usage.

Effect

Amounts allocated to the Aging Cluster may be disproportionate to the benefit received by the program from the goods or services provided. Additionally, there is a risk that administrative goods and services may be included in program expenditures as both direct and indirect costs.

Recommendation

We recommend that DSAAPD develop procedures to allocate administrative costs on the basis of actual usage of goods or services by the program. We further recommend that DSAAPD ensure that administrative items applied to the Aging Cluster as direct costs are not already included as part of the indirect cost rate billed quarterly by the Division of Management Services.

Questioned Costs

Questioned costs are \$20,003.

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Albert W. Griffith
Agency Contact Phone Number	(302) 255-9355
Corrective Action Plan	The Division has developed and implemented procedures that are cumbersome but allocate administrative costs on the basis of actual usage. DSAAPD does not include administrative items or any direct costs to the Aging Cluster that would be included in the quarterly indirect cost billing rate.
Anticipated Completion Date	Completed as of July 2006

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Year ended June 30, 2006

Department of Elections

Commissioner of Elections

Reference Number:

06-COE-01

Program:

90.401 Election Reform Payments

Type of Finding:

Material Noncompliance, Material Weakness

Compliance Requirement(s):

Allowable Costs

Criteria

Nonpayroll Transactions

To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Intrastate Transactions

The State's Budget and Accounting Policy Manual, Chapter 7.C.6(g)(2) states:

The authorized signatures for the intergovernmental voucher (IV) must be on file with the Division of Accounting. The following approval signature requirements are in effect for the processing of IV documents:

- a) Where buying and selling agencies are the same, the approval signatures for buyer and seller may be the same, and is to be signed in the buying agency block.
- b) Where buying and selling agencies are different, the approval signatures must be different, unless:
 - The buying and selling agencies are in the same Department, and
 - The Department/Division head has notified the Director of the Division of Accounting that one employee has authority to sign intra/inter-divisional IV's and under what circumstances.

Condition

Nonpayroll transactions

Three of 12 nonpayroll transactions selected for test work totaling \$1,400 were not signed by two authorized signers, as required by Department policies and the *State Budget and Accounting Policy Manual*. The total dollar value of the 12 transactions was \$742,790.

Total nonpayroll transactions (PV's) processed by the program for the year ended June 30, 2006 totaled \$1,020,159.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Intrastate transactions

For 9 out of 14 intrastate transactions selected for test work, the Department of Elections – Commissioner of Elections (COE) could not provide a copy of the IV document or the supporting documentation related to the transaction. As a result, there was no evidence of approval of the transaction by the buying agency (Commissioner of Elections, Election Reform Payments Program) for these transactions. The total dollar value of these 9 transactions was \$741,518 and the total dollar value of the 14 transactions tested was \$840,870.

Total intrastate transactions (intergovernmental vouchers, journal vouchers, and expenditure correction documents) processed by the program for the year ended June 30, 2006 totaled \$1,186,761. Total expenditures for the program were \$2,286,808.

Cause

COE did not ensure that all transactions were properly reviewed for allowability and properly documented and did not maintain documentation to support the transaction.

Effect

Payment vouchers and intergovernmental vouchers were not appropriately approved by the COE Election Reform Payments program in accordance with State and agency policy. Review of transactions prior to processing (as evidenced by signature on the transaction document) is the primary agency control to review the allowability of costs charged to federal awards.

Recommendation

We recommend that COE implement policies and procedures to ensure that intergovernmental voucher are appropriately approved in accordance with State and agency policy and that appropriate supporting documentation is maintained with all processed transactions.

Questioned Costs

Questioned costs are \$742,918 related to the transactions noted above.

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Virginia Lane, Support Services Administrator
Agency Contact Phone Number	(302) 739-4277
Corrective Action Plan	<p>The COE immediately instituted a policy stating that all transactions be signed by two authorized signers, with those authorized signatures on file in compliance with the <i>State Budget and Accounting Policy Manual</i>.</p> <p>COE agrees to immediately implement policies and procedures to ensure that intergovernmental vouchers are appropriately approved in accordance with State and agency policy and that appropriate supporting documentation is maintained with all processed transactions.</p>
Anticipated Completion Date	Immediately

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Elections

Commissioner of Elections

Reference Number:

06-COE-02

Program:

90.401 Election Reform Payments

Type of Finding:

Material Noncompliance, Material Weakness

Compliance Requirement(s):

Procurement, Suspension and Debarment

Criteria

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Under applicable State law, COE is exempt from following the provisions of State procurement policies (as detailed in Chapter 69 of the Delaware Code).

Suspension and Debarment

Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (CFR, Part II, "Government wide Debarment and Suspension")

Condition

Although the Department of Elections is exempt from State procurement law, the U.S. Election Assistance Commission did not provide an exemption to COE regarding federal procurement, suspension, and debarment policies. As a result, COE is required to comply with federal regulations/requirements when procuring materials/services with federal funds.

Total voting machine and voting machine upgrade expenditures for the program for fiscal year 2006 totaled \$1,398,602.

Cause

COE did not comply with federal procurement, suspension, and debarment requirements because the Department of Elections is exempt from following State procurement policies.

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Effect

The contracting of the purchase of voting machines and upgrades to voting machines were not in accordance with federal guidelines.

Recommendation

We recommend that COE implement internal control policies and procedures to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Virginia Lane, Support Services Administrator
Agency Contact Phone Number	(302) 739-4277
Corrective Action Plan	The future purchase of voting machines that are currently used will contain a sole source statement as part of our internal control statement.
Anticipated Completion Date	Immediately

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Elections

Commissioner of Elections

Reference Number:**06-COE-03****Program:****90.401 Election Reform Payments****Type of Finding:****Material Noncompliance, Material Weakness****Compliance Requirement(s):****Reporting**

Criteria

COE is required to submit annual SF-269 Forms (OMB No. 0348-0039), Financial Status Reports, to the U.S. Election Assistance Commission (EAC), which summarizes the program's expenditures (OMB Circular A-102 [paragraph 2.b]).

Condition

The SF-269 Forms submitted in FY2006 reported current year outlays of \$932,658, which differed by \$943,760 from supporting documentation within DFMS (amount was underreported). In addition, cumulative outlays to date were reported as \$2,017,970, \$256,138 lower than the supporting documentation from DFMS (amount was also underreported).

We noted that for these SF-269 Forms, COE uses internal expenditure spreadsheets in Excel to track the amount of grant expenditures during the reporting period. We further noted that these Excel spreadsheets netted encumbrances against actual expenditures. As a result, the source documentation of amounts reported in the SF-269 Forms were not validated against DFMS for accuracy and completeness of grant expenditures reported.

In addition, the SF-269 Forms were completed for the wrong reporting period. The reports submitted were based on calendar year activity (January 1, 2005 to December 31, 2005); however, per terms of the grant agreement, these reports are required to be submitted for the federal fiscal year (October 1, 2004 – September 30, 2005). We further noted that reports were not completed and submitted to EAC within six months of the federal fiscal year end with the Annual Report as required per terms of the grant agreement. The reports were submitted in September 2006.

Cause

The COE spreadsheets used to prepare the SF-269 forms were not validated against DFMS for accuracy and completeness. In addition, the amounts reported by COE on the forms netted encumbrances against actual expenditures.

Effect

COE did not report the accurate total outlays amount in the SF-269 Form to the U.S. Election Assistance Commission for the period ended December 31, 2005.

Recommendation

We recommend that COE implement internal controls, including reconciliation of internal spreadsheets to DFMS, to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Election Assistance Commission.

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We further recommend that COE submit revised SF-269 Forms to the U.S. Election Assistance Commission.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Virginia Lane, Support Services Administrator
Agency Contact Phone Number	(302) 739-4277
Corrective Action Plan	The COE implement internal controls, including reconciliation of internal spreadsheets to DFMS, to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Election Assistance Commission.
Anticipated Completion Date	Immediately

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 06-CSE-01

Program: 93.563 Child Support Enforcement

Type of Finding: Disclaimer (Scope Limitation), Material Weakness

Compliance Requirement(s): Special Tests and Provisions (Paternity and Support Obligations)

Criteria

Federal regulations require that the agency responsible for child support enforcement (IV-D agency) attempt to establish paternity and a support obligation for children born out of wedlock. The IV-D agency must establish a support obligation where paternity is not an issue by providing services within specified time frames to ensure that these services are carried out. (CFR § 303.3(b)(3))

Condition

In the prior year, we recommended that the Division of Child Support Enforcement (DCSE) establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. We further recommended that DCSE replace DACSES with a computer system that could better facilitate establishment of paternity and support obligations.

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2006.

Effect

If action is not taken within the required time frames, paternity is not established, when applicable, and support obligations therefore cannot be established.

Recommendation

We recommend that management continue with its corrective action plan including the following initiatives:

- Worklist management initiative
- Training initiative
- Redistribution of caseloads
- New DACSES system

Questioned Costs

Questioned costs are not determinable.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Guy Perrotti, Midge Holland, Linda Murphy, Eric Pusey
Agency Contact Phone Number	(302) 326-6020
Corrective Action Plan	<p>Worklist Management Initiative</p> <p>Phase I: Eliminate the creation of duplicate worklist items. COMPLETED 9/5/04</p> <p>Phase II: Consolidation of the creation of the worklist items, including a new hierarchy of the worklist items. COMPLETED 4/17/05</p> <p>Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers. Projected completion date June 2007</p> <p>Phase IV: All processes and worklists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to worklist items.</p> <p>Phase V: Evaluation Completion of the total Worklist Management initiative is projected for December 2008 (significant amount of time is required for data cleanup as this is the final phase.</p> <p>Caseload Distribution</p> <p>DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a support order is established. Among their primary duties (in addition to establishing an order) will be parent locate and paternity establishment. Enforcement Workers will be responsible for a case from the time the order is</p>

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	<p>recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case.</p> <p>There will two exceptions to the Caseload Redistribution initiative. Dedicated workers will handle Foster Care cases and cases in which the Non-Custodial Parent resides out of state (known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county.</p> <p>Mandatory training that covers all aspects of case processing remains in development and will be provided to all Child Support Specialists prior to the redistribution of cases.</p> <p>The DACSES programming required to support Caseload Redistribution is now scheduled to be completed by September 2007. When the programming is completed the final training will be conducted.</p> <p>New DACSES</p> <p>Below are summary of plans for the implementation of a child support information system to replace DACSES:</p> <ol style="list-style-type: none">1. The DASCES database conversion project was completed ahead of schedule in February 2006.2. The contract for the Feasibility Alternatives and Cost/Benefit Analysis necessary to begin the process to replace DACSES was awarded in February 2006.3. The Feasibility Study is well underway. The alternatives analysis and cost benefit portions of the study are completed and undergoing final revisions by the Contractor, PSI. When the Federal review of those documents is completed PSI will begin to develop the Implementation Advance Planning Document, which is required to secure federal funding. When the IAPD is approved, PSI will draft the RFP to solicit a vendor for implementation. The planning phase is scheduled to be completed by December 31, 2007.4. The implementation phase of the DACSES replacement was scheduled to begin during the 2nd quarter of SFY 2008. However, it was not recommended in the Governor's budget. The Department has committed to continuing the effort by funding a critical business process reengineering project which will begin in the last quarter of SFY 2007 and will be completed in approximately 12 months. DCSE will
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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

	re-submit its request for implementation funding in the SFY 2009 budget.
Anticipated Completion Date	<i>SFY 2009</i>

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 06-CSE-02

Program: 93.563 Child Support Enforcement

Type of Finding: Disclaimer (Scope Limitation), Material Weakness

Compliance Requirement(s): Special Tests and Provisions (Medical Support Obligations)

Criteria

Federal regulations require that the IV-D agency attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for DCSE services. The IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court to include medical support in the form of health insurance coverage in all new or modified orders for support. In cases where medical support is ordered, the agency is required to verify that it was obtained or enforce the court order if it was not obtained. Finally, the agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order. (45 CFR § 303.31)

Condition

In the prior year, we recommended that DCSE enhance the Delaware Automated Child Support Enforcement System (DACSES) computer system to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent,
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent, and
- Additional enforcement action taken to obtain available reasonable-cost health insurance.

We further recommended that DCSE replace its outdated DACSES system with a computer system that could better facilitate the establishment of medical support obligations.

Although DCSE is in the process of implementing its corrective action plan, for the year ended June 30, 2006, we were unable to test compliance with this requirement as appropriate documentation of establishment of medical support obligations was not maintained.

Effect

DCSE cannot ensure it is in compliance with the medical support obligation requirements.

Recommendation

We recommend that DCSE continue to implement its corrective action plan which includes:

- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen

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Year ended June 30, 2006

- National medical support notice
- New DACSES system

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Guy Perrotti, Midge Holland, Linda Murphy, Eric Pusey
Agency Contact Phone Number	(302) 326-6020
Corrective Action Plan	<p>DSS Interface</p> <p>Work has continued on systems enhancements that will assure that pertinent information regarding the custodial parent's and non-custodial parent's health insurance coverage is transmitted by DCSE to the Division of Social Services (DSS). The electronic transmission will be effected via an extract file and batch process. DCSE has completed the programming changes necessary for the enhanced interface in DACSES. However, DSS has reported that the changes to DCIS necessary to implement the interface have been started, but they have no date for completion.</p> <p>Post-Court Screen</p> <p>While the post court screen would still be a valuable tool for workers, dedicating the programming resources to develop and test the screen have proved difficult. Because the data necessary for the medical interface is currently captured in other areas of DACSES, management has decided not to implement the post-court screen and will upgrade the existing functionality when DACSES is replaced.</p> <p>National Medical Support Notice</p> <p>DCSE fully implemented the National Medical Support Notice in July of 2004.</p> <p>New DACSES</p> <p>See Corrective Action Plan for 06-CSE-01 above.</p>
Anticipated Completion Date	SFY 2009

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Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Child Support Enforcement

Reference Number: 06-CSE-03

Program: 93.563 Child Support Enforcement

Type of Finding: Disclaimer (Scope Limitation), Reportable Condition

Compliance Requirement(s): Special Tests and Provisions (Interstate Cases)

Criteria

The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing, and responding to inquiries on all incoming interstate Title IV-D cases, and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR Section 303.7(a) and 303.7(b)(2),(4),(5) and (6), respectively (45 CFR sections 302.36 and 303.7).

Condition

The information necessary to audit interstate cases is maintained in the DACSES system and in hard copy files. It has been determined that the DACSES system was not being subjected to audit as the system is being updated. Therefore, testing the interstate information received from other state IV-D agencies, using DACSES, was not performed.

Cause

The DACSES system is undergoing significant changes and upgrades.

Effect

There is no alternative to testing the interstate requirement to determine whether the Child Support Enforcement Program is in compliance other than using the DACSES system. Therefore, testing of this compliance requirement was not performed.

Recommendation

We recommend that the Division of Child Support Enforcement continue to make progress on updating the system.

Questioned Costs

Not applicable.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Guy Perrotti and Linda Murphy
Agency Contact Phone Number	(302) 326-6024
Corrective Action Plan	<p>The Division of Child Support Enforcement (DCSE) disagrees with this finding. DCSE maintains that there is adequate information contained in the DACSES system to test compliance with federal regulations for interstate services when combined with valid information contained in the hard copy files.</p> <p>DCSE will continue with updating the DACSES system as indicated in finding number 06-CSE-01.</p>
Anticipated Completion Date	FY 2009

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Services for Children, Youth, and Their Families

Reference Number: 06-CYF-01
Program: 93.658 Foster Care – Title IV-E
Type of Finding: Disclaimer of Opinion
Compliance Requirement(s): All

Criteria

Federal regulations require that “The State shall promptly amend the cost allocation plan and submit the amended plan to the Director [U.S. Department of Health and Human Services, Division of Cost Allocation] (DHSS, DCA), if any of the following events occur:

The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures.

A material defect is discovered in the cost allocation plan by the Director, DCA, or the State.

The State plan for public assistance programs is amended so as to affect the allocation of costs.

Other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.” (45 CFR §95.509)

The DHHS Grants Administration Manual, which outlines the protocols for submission, review, and approval of cost allocation plans developed by State agencies for public assistance programs, specifies that “Cost disallowances will be made for inappropriate claims resulting from a State’s failure to comply with its approved cost allocation plan...or its failure to submit an amended plan as required.” (Grants Administration Manual 6-200-50).

Condition

The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 8, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

“Delaware’s cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting Federal and State programs. DCA approved Delaware’s cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware’s claims for Title IV-E administrative and training costs developed under plan 95-2.”

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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The report further states that:

“The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised [95-2] methodology to allocate candidates’ case management costs...during the quarters ended December 1999 through June 2003.”

And that:

“Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan.”

The report identifies costs of \$5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State “...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates.”

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2005 through June 30, 2006), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and HHS Grants Administration Manual Chapter 6-200.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2006 were \$3,070,530, representing 55.6% of the total program costs of \$5,514,525.

The federal Health and Human Services Inspector General’s office audited the Department’s allocation of administrative and training costs to the Title IV-E program for which a final report has been issued. As a result of the uncertainty surrounding implementation of a new cost allocation plan related to Foster Care, we will not opine on compliance for this program.

Cause

Differing interpretations of federal regulations concerning allocable costs.

Effect

Failure to obtain timely approval of the cost allocation plan could result in questioned costs.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred with in a letter dated May 25, 2005 included as an appendix to that report.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Harry Roberts
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	DSCYF had previously submitted a foster care candidacy documentation proposal (on 6/18/04) designed to address issues contained in the report, met with the Region III office (RO) of the DHHS Administration for Children and Families to discuss the proposal (on 3/17/05), on 5/13/05 DSCYF provided answers to questions posed by the RO at the 3/17/05 meeting and requested the RO's approval to run a pilot of the foster care documentation system and subsequently continued to reach out to the RO in order to requesting a follow up meeting to resolve the various issues surrounding the proposal and audit findings. Since DSCYF's response to the FY-05 single audit last year, in response to our continued efforts to establish a meeting with RO to discuss the findings and the implementation of the OIG report recommendations, the RO met with DSCYF on 1/11/07 to restart discussions on these issues. As a result, the RO and DSCYF have begun the process of working through the issues outlined in the audit report with a target of submitting an amended Cost Allocation Plan (CAP) in late 2007 with successful CAP negotiations concluded in early 2008 (target).
Anticipated Completion Date	Early 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Services for Children, Youth, and Their Families

Reference Number: 06-CYF-02
Program: 93.658 Foster Care – Title IV-E
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Eligibility (Provider Approval)

Criteria

The Title IV-E Foster Care child and provider eligibility requirements as outlined in 45 CFR 1356.71 and Section 472 of the Act; the purpose of which are to ensure that appropriate payments were made on behalf of eligible children and to eligible homes and institutions.

Condition

During the week of August 14, 2006, ACF staff from the Central and Regional Offices and State of Delaware staff conducted an eligibility review of Delaware's Title IV-E Foster Care program in Newark, Delaware.

The purpose of the Title IV-E foster care eligibility review was (1) to determine if the State was in compliance with the child and provider eligibility requirements as outlined in 45 CFR 1356.71 and Section 472 of the Act; and (2) to validate the basis of the State's financial claims to ensure that appropriate payments were made on behalf of eligible children and to eligible homes and institutions.

A review of a sample of 80 cases was drawn from a universe of Title IV-E payments for the review period October 1, 2005 to March 31, 2006. The review team determined that 6 cases were ineligible for Federal funding. Since the number of error cases exceeded 4, ACF has determined that the State of Delaware's Title IV ACF has concluded that the State of Delaware's Title IV-E Foster Care maintenance program was not in substantial compliance with federal child and provider eligibility requirements for the period October 1, 2005 through March 31, 2006.

The financial penalty to be taken for this primary review will be for the payments, including the administrative costs, associated with the 6 error cases and 3 ineligible payments as indicated below:

Six Error Cases: FFP

Maintenance payments	\$	42,991
Administrative costs		49,945
Total	\$	<u>92,936</u>

Three Non-Error Cases with Ineligible Payments: FFP

Maintenance payments	\$	2,606
Administrative costs		8,872
Total	\$	<u>11,478</u>
Total disallowance	\$	104414 FFP

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Cause

The emphasis of the Department of Services for Children, Youth, and Families (DSCYF) is on placing children in need of foster care as quickly as possible.

Effect

Foster care payments may be made to placements that have not met requirements to be an approved foster care provider.

Recommendation

We recommend that controls surrounding foster care provider approval be improved to ensure that approval requirements are met and periodically reviewed in accordance with State policies.

Questioned Costs

Questioned costs are \$104,414 paid to the 6 error cases and 3 non-error cases with ineligible payments as noted above.

Views of Responsible Officials

Agency Contact Name	Harry Roberts
Agency Contact Phone Number	(302) 892-4534
Corrective Action Plan	<p>In response to the findings resulting from the Title IV-E eligibility review conducted in August 2006 and required by ACF, DSCYF submitted a Program Improvement Plan (PIP) to Region III on 12/14/06. Region III provided comments on DSCYF's PIP on 1/04/07. DSCYF incorporated Region III's suggested modifications into the PIP and resubmitted it for their approval on 1/19/07. The cited recommendation is addressed in the PIP. Action steps include:</p> <ul style="list-style-type: none">• Convene a work group to review the current foster home approval process and make recommendations for change as needed.• Design and institute use of an annual certificate of approval (consistent with Office of Child Care Licensing - OCCL).• Develop and implement FACTS system changes.• Complete contract and policy changes as needed for 7/1/08 contracts. <p>Records will be reviewed biannually to ensure that approvals are being done in a consistent and timely fashion.</p>

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

	Regarding the disallowed funds, decreasing claims for the cited costs were processed on the Title IV-E-1 report for the quarter ending 9/30/06.
Anticipated Completion Date	Action steps and system changes, staff training, etc. are anticipated being completed and implemented by 11/1/07. Biannual reviews would begin after implementation.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department Emergency Management Agency

Reference Number: 06-DEM-01

Program: 16.007 Homeland Security Cluster
97.004
97.042
97.067

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement(s): Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Specific allocations are made from each employee's salary to the grant. Some employees' salaries are charged 100% to the grant, while only a portion of other employees' salaries are charged to the grant. In prior years, there were no personnel activity reports that reflected after-the-fact distributions of the actual activity on the grants charged. In the prior year, we noted that the Delaware Emergency Management Agency (DEMA) was in the process of implementing the Corrective Action Plan from the prior year audit and should continue with such implementation. DEMA implemented procedures in the third quarter of the current fiscal year to have employees complete an "effort certification" which is used as the basis to adjust budgeted amounts charged to the programs to actual in accordance with the requirements of OMB Circular A-87, Attachment B.11.h.4(e). Budgeted allocation percentages are reflected on the employees' time sheets and in the State's PHRST payroll system. In our sample of 30 payroll transactions, we noted that the allocation percentages for 5 employees were appropriately adjusted on their timesheets in January 2006; however, the allocation percentages were not updated in the PHRST payroll system until the beginning of April 2006.

Cause

DEMA charged time to the Homeland Security Grant based on salary allocations maintained in a spreadsheet. The salary allocations were arbitrary percentages, based on projections of where each individual would spend his or her time. There was no documentation to support the various allocations and no after-the-fact activity reports to true up the charges until the third quarter of the current fiscal year. DEMA personnel previously believed the allocations maintained in this spreadsheet were sufficient, because they were indicating the percentage of each person's salary charged to the grant.

Effect

Salaries may be inappropriately allocated to the grant for the first half of fiscal year 2006 where no effort reporting was performed. Additionally, the allocations used for some employees for the second half of the fiscal year for interim accounting and reporting purposes were incorrect.

Recommendation

DEMA implemented the Corrective Action Plan from the prior year audit. However, DEMA needs to implement controls to ensure that the allocation percentages established by DEMA are properly reflected in the PHRST payroll system. Additionally, DEMA should ensure that the payroll amounts reported in DFMS are adjusted to reflect the correct allocation percentages prior to posting adjustments between budgeted and actual costs to DFMS (adjustments may be made annually per OMB Circular A-87, Attachment B.11.h.5(e)(ii) as long as the quarterly comparisons conducted by DEMA continue to show the differences between budgeted and actual costs being less than ten percent).

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Questioned Costs

Questioned costs of \$381,906 represent total salary and fringe costs charged for the first half of fiscal year 2006, as follows:

<u>CFDA no.</u>	<u>Salary costs</u>	<u>Fringe costs</u>
16.007	\$ 273	67
97.004	26,992	10,406
97.067	243,727	100,441
Total	<u>\$ 270,992</u>	<u>110,914</u>

Views of Responsible Officials

Agency Contact Name	Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	All funding splits have been reviewed again and corrected if necessary. DEMA is in the process of re-coding salaries and Other Employment Costs (OEC's) for the period of January through December 2006. This recoding effort will correct differences between programs and actual hours worked, and should be a difference of not more than 10%. Corrections will be accomplished not later than March 15, 2007. Because the State's new Time and Labor System implementation has been delayed, we have developed new in-house time sheets that went into effect the first pay period of 2007 (January 7, 2007 through January 20, 2007). The new timesheets have the employee record their work hours on a bi-weekly basis directly to the grant being worked. This allows us to readily identify any adjustments needed and to make them in a reasonable time. The time sheet will basically mirror what the Time and Labor Module is supposed to look like at implementation.
Anticipated Completion Date	March 31, 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department Emergency Management Agency

Reference Number: 06-DEM-02

Program: 16.007 Homeland Security Cluster
97.004
97.042
97.067

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement(s): Reporting

Criteria

DEMA is required to report actual expenditures on a quarterly basis on the Standard Form 269 (SF-269), Financial Status Report.

Condition

Amounts reported for the Homeland Security Cluster are as follows:

	CFDA no. 16.007	CFDA no. 97.067	#	CFDA no. 97.004	Total homeland security Cluster
SF-269 Forms	\$ 2,671,213	3,784,819		8,721,525	15,177,557
DFMS	2,761,213	3,784,819		7,747,956	14,293,988
SEFA	2,755,931	3,879,114		8,868,826	15,503,871

Variances between SF-269 Forms, DFMS, and the SEFA are discussed below:

Total fiscal year expenditures for CFDA Number 16.007 reported on SF-269 Forms of \$2,671,213 agreed to amounts recorded in DFMS. The amount included on these SF-269 Forms did not agree to the amount recorded on the June 30, 2006 Schedule of Expenditures of Federal Awards (SEFA) of \$2,755,931, resulting in a difference of \$84,718. This difference relates to an intrastate sub-grant to the State Fire Marshall (SAI#030530020003).

Total fiscal year expenditures for CFDA Number 97.067 reported on SF-269 Forms of \$3,784,819 agreed to amounts recorded in DFMS. The amount included on these SF-269 Forms did not agree to the amount recorded on the June 30, 2006 Schedule of Expenditures of Federal Awards (SEFA) of \$3,879,114, resulting in a difference of \$94,294. This difference relates to an intrastate sub-grant to the State Police (SAI#041208030001, grant of \$32,182) and the Department of Technology and Information (SAI#041208030002, grant of \$62,112).

Total fiscal year expenditures for CFDA Number 97.004 reported on SF-269 Forms totaled \$8,721,525. Amounts recorded in DFMS for CFDA Number 97.004 totaled \$7,747,956 and in the fiscal year 2006 SEFA totaled \$8,868,826, a difference of \$973,569 and \$(147,301), respectively, from the amounts in the financial reports. These differences are the result of intrastate sub-grants and clerical errors.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Cause

DEMA is now sub-granting amounts to both State agencies and to non-State agencies for specialized equipment acquisitions, rather than procuring the equipment and transferring the equipment to such agencies. Amounts sub-granted to other State agencies are not reported on DFMS in the same manner as amounts expended by DEMA and these amounts were not appropriately reported on the quarterly Financial Status Reports that were submitted during the fiscal year.

Effect

Grant expenditures have not been reported on the SF-269 Forms in the proper periods.

Recommendation

DEMA prepared a detailed reconciliation of all expenditures incurred to date and adjusted the SF-269 Forms for the quarter ended September 30, 2006 to include the grant expenses not previously reported. Additionally, DEMA revised its procedures to compile the SF-269 Forms. We recommend that DEMA follow its revised procedures for preparing future Financial Status Reports. Additionally, DEMA should request other state agencies receiving sub-grants provide copies of their DFMS reports to ensure amounts are reported in the proper quarter.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	DEMA corrected and re-submitted SF 269's. DEMA developed a reconciliation spreadsheet to be used for all future SF 269 submissions. This will ensure all expenses are captured correctly and in a timely manner.
Anticipated Completion Date	March 31, 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department Emergency Management Agency

Reference Number: 06-DEM-03

Program: 16.007 Homeland Security Cluster
97.004
97.042
97.067

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

DEMA is required to pass through 80% of grant funds to local units of government. DEMA provides funds to over 200 local governmental units, which represent over 9,000 first responders, either by procuring equipment and transferring such equipment to the subrecipients or by providing formal sub-grants to subrecipients to procure specialized equipment. DEMA has incorporated OMB A-133 audit language into its formal sub-grant agreements but has not included such language in its agreements used for direct transfers of equipment. DEMA had no subrecipient monitoring procedures in place during the 2006 fiscal year to ensure that its subrecipients met the audit requirements of OMB Circular A-133. As a result, subrecipient audit reports were not obtained or reviewed in accordance with the above criteria.

Total amounts passed through to subrecipients for fiscal year 2006 were \$254,988.

Cause

DEMA personnel were not aware of the subrecipient monitoring requirement related to ensuring that subrecipients meeting the federal expenditure thresholds have audits performed, or of the related follow-up responsibilities included in the OMB Circular A-133 Compliance Supplement, Part 3, Section M.

Based on the size of most subgrantees, DEMA does not believe that many of its subrecipients would meet the \$500,000 threshold required to be subject to the audit requirements of OMB A-133.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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Effect

DEMA did not fulfill its responsibilities related to subrecipient OMB Circular A-133 reporting and follow-up.

Recommendation

We recommend that DEMA add the appropriate audit language in its Memorandum of Understanding (MOU) agreements used for the direct transfer of equipment to subrecipients, describing the subrecipient's audit requirements under OMB Circular A-133. Additionally, DEMA should implement procedures to ensure that subrecipient audit reports are obtained on a timely basis, and that the appropriate follow-up action is taken on findings, where applicable.

Questioned Costs

Questioned costs are not determinable because monitoring has taken place and Single Audit reports are not available to determine whether subrecipients have questioned costs.

Views of Responsible Officials

Agency Contact Name	Tony Lee/Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	DEMA will add new language to the MOU's for Equipment purchased for use by the sub-recipients stating the requirements of OMB Circular A-133. The need for submission of completed audit reports to DEMA will be emphasized again in an upcoming Information Bulletin sent to all customers by the Terrorism Preparedness Section. The threshold amount of \$500,000 for an audit and how this includes all federal funds received during their FY and not just those received through DEMA will also be noted. Audit reports received will be reviewed and verified by signature of the Program Manager, Fiscal Officer, and Division Director if necessary. The Division Director will only be involved if there are findings concerning State and/or other federal grants. Additional reminders will be provided to sub-recipients during the course of each year.
Anticipated Completion Date	March 15, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department Emergency Management Agency

Reference Number: 06-DEM-04

Program: 16.007 Homeland Security Cluster
97.004
97.042
97.067

Type of Finding: Reportable Condition

Compliance Requirement(s): Suspension and Debarment

Criteria

Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity. (CFR, Part II, "Governmentwide Debarment and Suspension")

Condition

KPMG selected 12 of the 46 vendors receiving orders for procurement test work. Of the 12 vendors selected, KPMG noted that 5 were processed as "Sole Source" purchases in compliance with state procurement policies. However, DEMA did not verify that these 5 vendors were not suspended or debarred.

DEMA passes funds through to other local governmental units either by procuring equipment and transferring such equipment to the entities or by providing formal sub-grants to the entities to procure specialized equipment. KPMG noted that although DEMA included suspension and debarment language in all formal sub-grants, DEMA did not include such language in its Memorandum of Understanding (MOU) used to transfer equipment procured by DEMA to local governmental entities units.

Cause

DEMA has a standard contract template for purchases greater than or equal to \$25,000 which requires a standard contract which incorporates an affirmation that the entity is not suspended or debarred. However, this same contract is not required for purchases meeting the criteria for sole source procurement and no other controls exist to ensure other verification procedures are performed.

DEMA was not aware that local governmental entities receiving equipment, rather than funds, were also subject to the suspension and debarment verification procedures.

Effect

DEMA may do business with a disallowed vendors or transfer equipment to disallowed subrecipients.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Recommendation

We recommend that DEMA add procedures to ensure that the required suspension and debarment verification procedures are also performed for sole source procurement transactions and add suspension and debarment language to its MOUs for equipment transferred to subrecipients.

Questioned Costs

There are no questioned costs associated with this finding; the contracted entities were not on the EPLS based on our audit procedures.

Views of Responsible Officials

Agency Contact Name	Tony Lee/Bob Harrison
Agency Contact Phone Number	(302) 659-2244
Corrective Action Plan	DEMA will be adding new language to MOUs for Equipment and Sole Source letters addressing the suspension and debarment issue. Additionally, this will be addressed in an upcoming Information Bulletin and sent to all customers. The Terrorism Preparedness Section will take care of the MOU template; Fiscal will work the Sole Source Letter.
Anticipated Completion Date	March 15, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department Emergency Management Agency

Reference Number:

06-DEM-05

Program:

97.036 Public Assistance Grants

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

DEMA does perform monitoring of its subrecipients through reporting, site visits, and regular contact. However, DEMA had no procedures in place during the 2006 fiscal year to ensure that its subrecipients met the audit requirements of OMB Circular A-133. The total amount earned by the 11 subrecipients for fiscal year 2006 was \$2,763,792.

Cause

DEMA personnel were not aware of the subrecipient monitoring requirement related to ensuring that subrecipients meeting the federal expenditure thresholds have audits performed, or of the related follow-up responsibilities included in the OMB Circular A-133 Compliance Supplement, Part 3, Section M.

Effect

DEMA did not fulfill its responsibilities related to subrecipient OMB Circular A-133 reporting and follow-up.

Recommendation

We recommend that DEMA implement procedures to ensure that subrecipient audit reports are obtained on a timely basis, and that appropriate follow-up is taken on findings, where applicable.

Questioned Costs

Questioned costs are not determinable because monitoring has taken place but single audit reports are not available to determine if subrecipients have questioned costs.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Ed Durst/Shirley Lee
Agency Contact Phone Number	(302) 659-3362
Corrective Action Plan	<p>The Natural Hazards section is developing an Access database containing all grant sub-recipients under the Public Assistance (PA) Program. The database will enable DEMA to monitor all PA funds received by our grant sub-recipients by fiscal year as well as by disaster. Upon receipt of funds, the sub-recipient is notified of the audit requirements in OMB Circular A-133. In order for DEMA to maintain compliance with OMB Circular A-133, DEMA will run monthly reports showing which sub-recipients have a fiscal year ending in that particular month. An initial letter reminding the sub-recipient of their audit responsibilities, if they have received over \$500,000 cumulative in federal funds for the fiscal year, will be sent. The applicant will have three weeks to respond to the letter to let DEMA know if an audit is required, and if so an approximate time for completion of the annual report which should include any audit findings. If the sub-recipient does not comply with the initial request, a second letter will be drafted reminding the applicant of their responsibilities. If the second letter is ignored, a third letter will be sent notifying the sub-recipient that they are in violation of OMB Circular A-133 and failure to comply immediately will result in potential loss of any future Public Assistance funding.</p> <p>Upon receipt of annual reports from sub-recipients they will be reviewed by the Public Assistance Officer and placed in the sub-recipient files. In the event of audit findings, the sub-recipient will send follow-up documentation as to corrective actions and resolution of the findings.</p>
Anticipated Completion Date	March 15, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number:

06-DMMA-01

Program:

**93.775, Medical Assistance Cluster
93.777,
93.778**

Type of Finding:

Reportable Condition

Compliance Requirement(s):

Allowable Costs

Criteria

States must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability (TPL) is established after the claim is paid, reimbursement from the third party should be sought (42 CFR sections 433.135 through 433.154).

Condition

KPMG tested 30 TPL claims identified in FY06 and noted that the State's third party service provider sought reimbursement from at least one insurance provider by for all claims tested. However, KPMG was unable to determine the extent to which reimbursement was sought for claims with open reimbursement status. This represents 9 out of the 30 claims reviewed. KPMG also noted that the State does not currently communicate with the service provider regarding the status of open claims and does not monitor the claims collections process.

Cause

DMMA does not have a policy manual that outlines State and third party servicer responsibilities over the management of open TPL claims.

Effect

There is a risk that reimbursement for claims will not be adequately sought. There is also a risk that TPL related accounts receivable and collections will not be properly recorded and presented in financial reports.

Recommendation

The State is currently in the process of developing a TPL policy manual. KPMG recommends that the manual include specific language as to the responsibilities of all parties involved and that the policies noted in the manual be immediately implemented by the State.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Nicole Johnson
Agency Contact Phone Number	(302) 255-9546
Corrective Action Plan	The Division will interview EDS/HMS to identify and document the internal processes employed to monitor the extent of collections efforts on a monthly basis on each claim. Furthermore, we will periodically update the Third Party Liability Section of the Policy Manual to reflect operational practices currently in place.
Anticipated Completion Date	Policy Updates Ongoing; EDS/HMS Documentation to be completed by December 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number: 06-DMMA-02

Program: 93.775, Medical Assistance Cluster
93.777,
93.778

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement(s): Allowable Costs

Criteria

Under OMB budgetary guidance and Pub. L. 107-300, Federal agencies are required to review Federal awards and, as applicable, provide an estimate of improper payments. Improper payments mean:

- 1) Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and
- 2) Any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts.

Condition

For 1 of 30 claims selected for test work, KPMG noted that the Fee for Service benefit payment made by the State was paid at the prior year (calendar year 2005) rate instead of the newly approved claim rate due to an MMIS system error. While the prior year rate was \$1.30 below the newly approved calendar year 2006 rate, thereby in compliance with allowable costs requirements, there is a risk of non-compliance if a similar system error occurred and the new rate was significantly below the old rate. A query of the MMIS system was performed in order to determine the extent of over and under payments that resulted from provider payments made on the date that this error was noted.

Cause

The error was due to a MMIS System error. The reason for the error is that MMIS adjudicates claims daily, which includes the pricing of the claim. The claim is held for the weekly financial cycle, which runs on Friday's, in this case, 2/10/06, and assigns a future pay date, in this case 2/13/06. The exception noted was adjudicated 2/7/06, for a date of service of 1/27/06. The effective date of the federally approved rate (\$50.68) had a begin date of 1/1/2005 and an end date of 12/31/9999.

On 2/13/06, the rate for the claim type was updated. At that time, the initial rate used to price the claim on 2/7/06 was updated to have an end date of 12/31/2005 and a new rate (\$51.98) was added with a begin date of 1/1/2006 and an end date of 12/31/9999.

Effect

Claims related over and underpayments were made to health insurance providers, as multiple claims were paid at old rates and not properly adjusted on 2/13/06.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Recommendation

The system error should be corrected. Information Systems personnel should perform a review in order to determine if similar errors occurred at other dates during the year when rates were changed.

Questioned Costs

Total questioned costs are not determinable due to lack of supporting system reports.

Views of Responsible Officials

Agency Contact Name	Beth Laucius
Agency Contact Phone Number	(302) 255-9525
Corrective Action Plan	No corrective action plan to modify the MMIS is needed for this item. As explained previously, rates are updated in the MMIS for various reasons. Sometimes the date on which the new rates are implemented in the MMIS is after the effective date of the new rate. Unless specified in the Medicaid State Plan, DMMA internal written procedures, or mandates by a governing authority, it is up to the State's discretion as to whether a mass adjustment will be authorized to reprocess previously paid claims. In making this decision, the State considers a number of factors, including the dollar impact of the mass adjustment, the number of claims affected, the cost of processing the mass adjustment, the number of providers affected, etc. The claim in question involves the Resource-Based Relative Value Scale (RBRVS) rates; these rates are used primarily for physician and lab services and are based on the annual Medicare rates for those same services. Generally in updating the RBRVS rates, and as was determined in this case, the financial impact from the rate change is not as great as the administrative considerations. DMMA will revise its internal written procedures to indicate the factors utilized to determine whether to perform a mass adjustment when new rates are implemented
Anticipated Completion Date	Procedures to be revised by March 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number: 06-DMMA-03

Program: 93.775, Medical Assistance Cluster
93.777,
93.778

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement(s): Allowable Costs (Overpayments to Providers)

Criteria

The State is required to credit the Medicaid program for overpayments made to providers of medical services within specified timeframes. In most cases, the State must refund provider overpayments to the federal Government within 60 days of identification of the overpayment, regardless of whether the overpayment was collected from the provider (CFR sections 433.300 through 433.320 and 433.40).

Condition

In the prior year, we recommended that DMMA/DSS/DMS develop policies and procedures regarding the refund of provider overpayments collected via check to ensure that such amounts are appropriately refunded within 60 days of identification of the overpayment. We understand that starting in June 2005 the department began reducing their MA federal reimbursement on a quarterly basis for overpayments that were over 60 days old and not collected.

In the current year we reviewed 30 provider overpayments identified during the year and noted that the State has not yet implemented a process to appropriately account for individual provider overpayments collected via check. While the State does reduce the reimbursement from the MA program by way of summary level cash collections reports, there is currently no way to track individual checks received in order to ensure that cash collections are properly accounted for and managed.

Cause

The State is still in the process of implementing processes and procedures that will enable them to track individual checks received related to provider overpayments.

Effect

Provider overpayments collected during the quarter by check, may not be completely or accurately reported on the weekly invoices used to calculate the State's federal reimbursement. As such, the amount of weekly federal reimbursements may be inaccurate.

Recommendation

We continue to recommend that DMMA implement procedures to track individual provider overpayments collected via check. This will ensure that reports currently used by DHSS to determine federal reimbursement credits are complete and accurate.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Questioned Costs

Not determinable due to lack of supporting system reports.

Views of Responsible Officials

Agency Contact Name	Melody Lasana/Greg Roane
Agency Contact Phone Number	(302) 255-9235/ (302) 255-9530
Corrective Action Plan	An internal request for changes in our MMIS system to rectify this situation was made last year. Due to mandated changes from CMS for the National Provider Identifier (NPI) program this request has been delayed.
Anticipated Completion Date	December 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Medicaid and Medical Assistance

Reference Number: 06-DMMA-04

**Program: 93.775, Medical Assistance Cluster
93.777,
93.778**

Type of Finding: Reportable Condition

Compliance Requirement(s): Special Tests and Provisions (Utilization Control and Program Integrity)

Criteria

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002).

Suspected fraud should be referred to the State Medicaid Fraud Control Units (42 CFR part 1007).

Condition

Three of the 5 provider files selected for review by the Medicaid Surveillance Utilization and Recovery Unit (SUR) were not audited by the Managed Care and Quality Assurance Unit. Unit personnel review claims for coding error, quality of care and the appropriateness of services billed.

Cause

Lack of resources in the Managed Care and Quality Assurance Unit.

Effect

The State is not in compliance with federal requirements as it is not completely monitoring service providers in a timely manner for fraudulent activities, quality of care and the appropriateness of services billed.

Recommendation

The State should implement policies and procedures to ensure that the Managed Care and Quality Assurance Unit have adequate resources to perform timely claims reviews.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Denise Dugan
Agency Contact Phone Number	(302) 255-9646
Corrective Action Plan	A nurse performs these reviews and during this review period there was a shortage of nurses on staff. DMMA will pursue staffing requirements and other options to perform timely claims reviews.
Anticipated Completion Date	December 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Management Services

Reference Number: 06-DMS-01

Program: 10.551,
10.561 Food Stamp Cluster
93.558 Temporary Assistance for Needy Families
93.596 Child Care Cluster
93.767 State Children's Health Insurance Program
93.775,
93.777,
93.778 Medical Assistance Cluster

Type of Finding: Reportable Condition

Compliance Requirement(s): Eligibility

Criteria

The Federal Information System Controls Audit Manual (FISCAM) describes the computer-related controls that auditors should consider when assessing the integrity, confidentiality, and availability of computerized data. [Section 1.1, FISCAM]

There are 6 major categories of general controls. These are:

- Entity wide security program planning and management that provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity's computer-related controls;
- Access controls that limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting these resources against unauthorized modification, loss, and disclosure;
- Application software development and change controls that prevent unauthorized programs or modifications to an existing program from being implemented;
- System software controls that limit and monitor access to the powerful programs and sensitive files that (1) control the computer hardware and (2) secure applications supported by the system;
- Segregation of duties that are policies, procedures, and an organizational structure established so that one individual cannot control key aspects of computer-related operations and thereby conduct unauthorized access to assets or records;
- Services continuity controls to ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed and critical and sensitive data are protected [Section 3.0, FISCAM]

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Application controls are generally designed to prevent, detect, and correct errors and irregularities as transactions flow through the financial information systems. The objectives of these controls are specific to the applications they support. However, they generally involve ensuring that:

- Data prepared for entry are complete, valid and reliable;
- Data are converted to an automated form and entered into the application accurately, completely, and on time;
- Data are processed by the application completely and on time, and in accordance with established requirements; and
- Output is protected from unauthorized modification or damage and distributed in accordance with prescribed policies [Section 1.2, FISCAM].

Condition

The DCIS II system assists with eligibility determination for the Medicaid, TANF, Food Stamps, and SCHIP programs, and the CCMIS system assists with eligibility determination for the Child Care cluster.

An agreed-upon procedures engagement was conducted for the Office of the Auditor of Accounts that had the following objectives:

- Gain an understanding of the input data editing and completeness controls for the DCIS II and CCMIS Systems.
- Determine the adequacy of the system access security controls.
- Determine the adequacy of the program change controls.
- Determine the adequacy of the physical security controls.

Findings and recommendations were identified relating to the following areas as follows:

User Access

Testing of 25 users out of approximately 1,500 users defined with access to the DCIS II System, 13 of 33 users with only access to the CCMIS System, all 13 users with DB2 Inquiry access to the DCIS II System, and all 9 users with DB2 Inquiry access to the CCMIS System (total of 60 users) disclosed the following:

Of the 25 DCIS II System user IDs tested, eight users terminated their employment with the State (one of the users actually terminated his/her employment in 1999), but their user IDs were still defined to the system.

The report noted that user IDs were not being removed from the DCIS II System. Therefore, testing was performed to determine whether all of the user IDs that were noted as being for terminated employees during the 2005 review were deleted from having access to the DCIS II and CCMIS Systems by determining if they were still defined to the two systems. The testing noted that 8 of the terminated employees' DCIS II System user IDs were still defined to the system and 4 of the terminated employees' CCMIS System user IDs were still defined to the system.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

In addition, testing was performed to determine whether the user IDs were on the report showing user IDs that have not been used in 6 months or more and it was noted that only one of the user IDs was on the report. Testing was then performed to determine whether the user IDs were being used by another employee and found that one user ID was assigned to another employee. In addition, for 7 of the remaining 10 user IDs there is no record in the RACF System of the user IDs being assigned. This could result in these user IDs being reassigned to someone else and the new user being given access to the DCIS II System, but the DCIS II System's access report not reflecting the new employee's name.

Failure to delete a user's ID on a timely basis when an employee terminates his/her employment allows for the possibility that the user's ID could be used by another user, if the terminated employee made his/her password known to another employee. This could result in unauthorized access being gained to the Production DCIS II System and CCMIS System without any user accountability.

Access to the ChangeMan System

The report noted that the Department of Technology and Information (DTI) users have full access to the ChangeMan System, which could result in them moving a program into the Production environment. Security Best Practices for program change control recommend that updates to the Production program libraries only be done by those users specifically authorized to perform this task.

Recommendation

User Access

The report recommended that DHSS management perform a complete review of all the user IDs with access to the DCIS System and the CCMIS System to ensure that every user ID has the correct name of the employee currently using the user ID as well as that properly completed user authorizations forms are on file. In addition, we recommend that, once the user ID cleanup is completed, user IDs should not be reassigned after an employee terminates his/her employment with the State.

Access to the ChangeMan System

The report recommended that the access granted to the DTI users to the various levels within the ChangeMan System be changed to be no more than Inquiry unless the access is required to perform a specific function. At the minimum, the access for the DTI users to the Approver level should be reduced to Inquiry.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Michael Smith/Vince Taylor
Agency Contact Phone Number	(302) 255-9162/(302) 255-9214
Corrective Action Plan	<p>User Access DHSS has performed all corrective actions noted in the report. Reports are now generated the first business day of the month and transmitted for timely removal of terminated users ID's.</p> <p>Access to the ChangeMan System As noted in the September 2006 reply, rules from The Administration for Children and Families (ACF) were changed to allow DTI user inquiry access only.</p>
Anticipated Completion Date	Completed as of February 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Delaware National Guard

Reference Number:

06-DNG-01

Program:

12.401 National Guard Military Operations and Maintenance Projects

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Period of Availability

Criteria

In accordance with Cooperative Agreements with the Department of Defense, the federal awards to the National Guard specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge to the award-only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the awarding agency.

Condition

We noted in the prior year that the Delaware National Guard had federal grants open dating as far back as fiscal year 1990. While there were no charges being made against the older grants that violated period of availability per the Cooperative Agreement with the Department of Defense, a grant can only be open for a maximum of five years. After this period, a grant must be closed out. For fiscal year 2006, only grants entered into in fiscal year 2002 should remain open.

We recommended in the prior year that the Delaware National Guard review all open grants and close out grants over five years old to ensure they are in accordance with the Cooperative Agreement and the period of availability. Per the agency's Summary Status of Prior Year Findings, this recommendation was not implemented as of June 30, 2006.

Cause

The Delaware National Guard is in the process of coordinating closeout of older grants. However, this requires coordination with the State and federal budgeting authorities, which is still in process.

Effect

The Delaware National Guard is not in compliance with the Cooperative Agreement, which requires grants not to remain open longer than five years.

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Questioned Costs

There are no questioned costs related to this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Manuel Balseiro Jr.
Agency Contact Phone Number	(302) 326-7160
Corrective Action Plan	The USPFO (COL Ham) with the assistance of the DNG State Comptroller (Manuel Balseiro Jr./Art Caldwell) will attempt to reach an agreement with the State of Delaware on how to delete the open grant records from DFMS. The DFMS figures are incorrect however there is no documentation available to reconstruct the true amounts that should be in DFMS. The State point of contact provided by Catherine A. Kleponis (Auditor of Accounts) is John Nauman from the Office of Management and Budget. A meeting will be scheduled at the at the earliest date convenient to all parties so that discussions can commence to determining what procedures/actions are required to close out the DFMS records and finalize this finding.
Anticipated Completion Date	June 30, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Delaware National Guard

Reference Number:

06-DNG-02

Program:

12.401 National Guard Military Operations and Maintenance Projects

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Allowable Costs (Effort Reporting)

Criteria

As specified under Section 304 (Allowability of Costs) of the Master Cooperative Agreement (MCA), “except as otherwise stated in this Article or elsewhere in the MCA, the allowability of costs incurred by the State performance of this MCA shall be determined according to the terms and conditions of OMB Circular A-87...effective at the time the cost is incurred.” Chapter 13 of the Delaware National Guard Cooperative Agreement requires that where Army National Guard Operations and Maintenance employees work on facilities with varying federal reimbursement rates, the State Military Department shall apportion their salaries based on the type of facility they support and the amount of time they spend on each one. The State shall charge each portion of overall salary and benefits to the appropriate account as a fraction of full-time equivalents.

Condition

We noted that the Delaware National Guard does not apportion Army operations and maintenance (O&M) employees’ salaries and benefits based on facility reimbursement rate and time spent at facility. We recommended in the prior year that the Delaware National Guard implement policies and procedures that allow them to properly apportion O&M salaries and benefits based on facility reimbursement rate and time spent at each facility. However, as per the agency’s Summary Status of Prior Year Findings, the corrective action has not yet been implemented as of June 30, 2006.

For the fiscal year ended June 30, 2006, the O&M salaries charged 100% to the cooperative agreement were \$338,751 (benefits were an additional \$143,861) and O&M salaries charged 75% to the cooperative agreement were \$136,331 (benefits were an additional \$61,929).

Cause

The Delaware National Guard is in the process of implementing the recommendation from the prior year.

Effect

The Delaware National Guard is not in compliance with the Cooperative Agreement, which requires support for O&M employees working on multiple facilities with varying federal reimbursement rates.

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Questioned Costs

O&M salaries and benefits charged of \$680,872.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Manuel Balseiro Jr.
Agency Contact Phone Number	(302) 326-7160
Corrective Action Plan	Effective with the pay cycle paying April 13, 2007 we will begin allocating the salaries and benefits cost of the FMO workers based on facility reimbursement rate and time spent at each facility, which will be provided by LTC Michael Conway, Labor & Trades Supervisor. Workers assigned to the 100% federal funded Army Aviation Support Facility (AASF, 1), Bethany Beach Training Site (BBTS, 5), and the United States Property and Fiscal Office (USPFO, 1) are all currently 100% federal funded and will remain that way since they perform no work outside of these facilities. The remaining 5 FMO workers (4 75/25% funded and 1 100% federal funded) will be charged as stated above. We feel it is not reasonable or time effective to attempt to prorate the costs of the two contracting positions. We will continue to charge one as 100% federal and the other as 100% state. There are also seven 100% state funded FMO workers who perform work on federal facilities as well as state facilities. It is our intent to prorate their salaries and benefits cost in the same manner as the FMO workers reflected in the Master Cooperative Agreement (MCA). The allocation status of the cost of the Master Planner position (100% federal) is currently under review. This position was previously a contracted position. Expenditure recoding documents will be accomplished and processed in DFMS on a quarterly basis.
Anticipated Completion Date	June 30, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Natural Resources and Environmental Control

Reference Number:

06-DNR-01

Program:

66.001 Air Pollution Control Program Support

Type of Finding:

Reportable Condition

Compliance Requirement(s):

Allowable Costs

Criteria

To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Condition

For 10 out of 13 transactions selected for test work, we noted that there was not evidence of approval of the transaction by two authorized signers. These transactions were only signed by one authorized individual to evidence review and approval of the transactions prior to processing. We did note, however, that all transactions tested were for allowable expenditures. The total dollar value of these transactions was \$1,721. The total dollar value of the 13 transactions was \$3,086.

Total purchase vouchers processed by the program for the year ended June 30, 2006 totaled \$153,033. Total expenditures for the program were \$1,163,136.

Cause

Management oversight. An individual in the key position for reviewing and approving DFMS transactions was on an extended leave of absence for a portion of fiscal year 2006.

Effect

Transactions without authorization and review by two authorized signers were processed and charged to the grant.

Recommendation

We recommend that DNREC Division of Air & Waste Management reinforce its policies and procedures to ensure that all transactions charged to the grant are reviewed and signed by two authorized signers prior to processing of the transaction.

Questioned Costs

There are no questioned costs related to this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Janice A. Sunde
Agency Contact Phone Number	(302) 739-9496
Corrective Action Plan	The Department signature policy requires only one signature on documents under \$1,000. In the absence of the Fiscal Administrative Officer (FAO), documents over \$1,000, requiring 2 signatures will be sent to the Department Fiscal section for a second signature.
Anticipated Completion Date	Immediately

Auditor Comments

Per the State of Delaware Budget and Accounting Policy Manual Chapter VII (B) (1) (a) - Agency Approval, "Each bill or statement shall be signed in person by 2 of the delegated, including the chief administrative employer. (29 Del. C. 6515(b))"

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Natural Resources and Environmental Control

Reference Number:

06-DNR-02

Program:

66.460 Nonpoint Source Implementation Grants

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Allowable Costs

Criteria

Nonpayroll Transactions

To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Intrastate Transactions

The State's Budget and Accounting Policy Manual, Chapter 7.C.6(g)(2) states:

The authorized signatures for the IV must be on file with the Division of Accounting. The following approval signature requirements are in effect for the processing of IV documents:

- a) Where Buying and Selling Agencies are the same, the approval signatures for Buyer and Seller may be the same, and is to be signed in the Buying Agency block.
- b) Where Buying and Selling Agencies are different, the approval signatures must be different, unless:
 - The Buying and Selling Agencies are in the same Department, and
 - The Department/Division head has notified the Director of the Division of Accounting that one employee has authority to sign intra/inter-divisional IV's and under what circumstances.

Condition

Nonpayroll Transactions

Three of 30 nonpayroll transactions selected for test work, totaling \$588 were not signed by two authorized signers, as required by the Department policies and the State Budget and Accounting Policy Manual. The total dollar value of the 30 transactions was \$119,680. These transactions were for allowable expenditures and did fall within the period of availability.

Total nonpayroll transactions (PV's) processed by the program for the year ended June 30, 2006 totaled \$1,194,489.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Intrastate Transactions

One of the 18 intrastate transactions selected for test work, totaling \$2,706 was not signed by two authorized signers, as required by the Department policies and the State Budget and Accounting Policy Manual. Two of the 18 intrastate transactions tested, totaling \$369, did not have adequate supporting documentation. The total dollar value of the 18 transactions was \$315,638. These transactions were for allowable expenditures and did fall within the period of availability.

Total intrastate transactions (IV's, JV's, and EX's) processed by the program for the year ended June 30, 2006 totaled \$345,157.

Cause

DNREC did not ensure that all transactions were properly reviewed for allowability and period of availability and properly documented prior to processing.

Effect

Payment Vouchers and Intergovernmental Vouchers were not appropriately approved by the Nonpoint Source Implementation Grants program in accordance with State and agency policy. Review of transactions prior to processing (as evidenced by signature on the transaction document) is the primary agency control to review the allowability and period of availability of costs charged to federal awards.

Recommendation

We recommend that DNREC implement policies and procedures to ensure that payment vouchers and intergovernmental vouchers are appropriately approved in accordance with State and agency policy and that appropriate supporting documentation is maintained with all processed transactions.

Questioned Costs

Questioned costs are \$369, the total for the two documents that did not have adequate supporting documentation.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Brian M. Leahy
Agency Contact Phone Number	(302) 739-9921
Corrective Action Plan	We believe that the Department already has policies and procedures in place to ensure that payment vouchers and intergovernmental vouchers are appropriately approved and that appropriate supporting documentation is maintained. However, recognizing that we were not 100% compliant with these policies and procedures, we will implement Divisional policies and procedures that meet the specific needs of the Division and the NPS Program and conduct training with the appropriate personnel to ensure 100% compliance with the existing State and Department policies and procedures.
Anticipated Completion Date	Written Divisional policies and procedures will be implemented by June 30, 2007. However, we will take immediate steps to set up procedures to ensure 100% compliance with current policies.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Natural Resources and Environmental Control

Reference Number:

06-DNR-03

Program:

66.460 Nonpoint Source Implementation Grants

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Matching, Reporting

Criteria

Requirements under Section 319(h) include: nonfederal matching funds of at least 40% of project cost (match is an overall grant requirement in a few cases, the match requirement for an individual project may be waived. In-kind services may be used as match); maintenance of effort; grants may be used for financial assistance to individual persons in the case of demonstration projects only; annual reporting; and EPA determinations of adequate recipient progress before additional funding.

Condition

DNREC uses an Excel spreadsheet that is compiled monthly, which details cumulative DFMS amounts as well as the cumulative State match (DFMS and in kind match amounts), in the preparation of SF-269 forms. The supporting DFMS screen prints and information is not maintained with the reports. Based on review of DNREC spreadsheets and DFMS reports, we were able to validate cumulative federal and state share amounts as well as the cumulative match amounts. However, we were not able to recalculate the current period State share as reported on SF-269 forms for the period October 1, 2004 - September 30, 2005.

Cause

DNREC does not maintain supporting DFMS screen prints that agree to amounts included in the SF-269 reports for the State match.

Effect

Current reporting period match amounts reported on SF-269 forms submitted by DNREC in fiscal year 2006 cannot be validated for accuracy.

Recommendation

We recommend that DNREC implement policies and procedures to ensure that supporting documentation for matching amounts (current reporting period and cumulative) is retained by the agency with respective SF-269 forms to validate the accuracy of match amounts reported on financial reports, as submitted to the EPA.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Brian M. Leahy
Agency Contact Phone Number	(302) 739-9921
Corrective Action Plan	We agree with the recommendation and we will immediately begin to retain supporting documentation for matching amounts with all SF-269 Financial Status Reports, including interim reports, and we will implement Divisional policies and procedures to ensure compliance with the matching reporting requirement.
Anticipated Completion Date	Implement policies and procedures by June 30, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Natural Resources and Environmental Control

Reference Number: 06-DNR-04
Program: 66.460 Nonpoint Source Implementation Grants
Type of Finding: Material Noncompliance, Material Weakness
Compliance Requirement(s): Procurement, Suspension, and Debarment, Subrecipient Monitoring

Criteria

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Suspension and Debarment

Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (CFR, Part II, "Government wide Debarment and Suspension")

Subrecipient Monitoring

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Condition

DNREC expends federal funds to both vendors and subrecipients. Management could not identify which recipients of funding were vendors and which were subrecipients for our testing purposes. As a result, during our test work procedures, we noted that DNREC was not complying with Procurement, Suspension, and Debarment or Subrecipient Monitoring requirements.

Cause

DNREC did not perform the required Procurement, Suspension, and Debarment functions as detailed in the Criteria section above. In addition, DNREC did not fulfill its pass-through entity responsibilities related to the monitoring of subrecipient activities, including required reporting and follow-up.

Effect

DNREC is not in compliance with Procurement, Suspension, and Debarment or Subrecipient Monitoring requirements.

Recommendation

We recommend that DNREC reinforce its policies and procedures to ensure that procurement, suspension and debarment as well as subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official. We further recommend that DNREC ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

In addition, DNREC should track vendors and subrecipients separately to enable agency personnel to perform the required compliance functions for both procurement, suspension, and debarment and subrecipient monitoring.

Questioned Costs

Questioned costs are \$1,506,550, the total of the expenditures to vendors and the amount passed through to entities that were not monitored and/or properly bid.

Views of Responsible Officials

Agency Contact Name	Brian M. Leahy
Agency Contact Phone Number	(302) 739-9921
Corrective Action Plan	We agree with the recommendation and we will implement Divisional policies and procedures and provide training on these policies and procedures to ensure compliance with Procurement, Suspension, and Debarment, and Subrecipient Monitoring.
Anticipated Completion Date	June 30, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Natural Resources and Environmental Control

Reference Number:

06-DNR-05

Program:

**15.605, Fish and Wildlife Cluster
15.611**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Allowable Costs

Criteria

The amount of overhead or indirect costs charged to the projects under these programs for State central services provided from outside the State fish and game agency in one year may not exceed three percent of the annual apportionment to the State. (50 CFR Section 80.15(e))

Condition

The United States Department of the Interior, Office of Inspector General (OIG) conducted an audit of the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Delaware (report date August 29, 2006) for the period July 1, 2003 through June 30, 2005 (No. R-GR-FWS-0027-2002).

In its report, it was noted, "the indirect cost rates negotiated by the Department did not restrict the allocations for State central services to 3% of the State's annual Federal Assistance Program apportionments, as required under the Acts and regulations."

Cause

While the Division has an approved indirect cost rate (indirect cost allocation plan prepared by Maximus), it has not negotiated a restricted rate to account for the limitation of State central services or established written policies and procedures to ensure compliance with the limitation.

Effect

Prohibited costs could be included in the indirect cost pool.

Recommendation

We recommend that the Division follow the outline provided by OIG in its report to resolve this issue.

Questioned Costs

Total overage of indirect costs charged to the grants for fiscal year 2006 is \$70,065 (\$186,194 of total indirect costs for \$3,870,982 of expenditures (4.81% Statewide Indirect Cost Rate as prescribed by Maximus), which exceeds 3% floor of \$116,129).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Lynn Herman
Agency Contact Phone Number	(302) 739-9911
Corrective Action Plan	<p>The Delaware Division of Fish and Wildlife has never exceeded the 3% cap on the Statewide portion of the Indirect Cost Rate because it is tracked using a spreadsheet within the Division's Federal Assistance Coordination Section. The audit issue is that there is the potential for the Division of Fish and Wildlife to exceed the 3% cap using the Delaware Financial Management System (DFMS), the accounting system used by all State agencies. Further, the ability to identify the Statewide portion of Indirect Costs does not currently exist within DFMS as there is a single identifying code (object code 5648) for use when processing all Indirect costs.</p> <p>In order to resolve issues relating to the 3% cap on the Statewide portion of the Indirect Cost Allocation the following procedures will be implemented to address this potential problem:</p> <ol style="list-style-type: none">1. The State of Delaware Office of Management and Budget currently uses a private consulting firm, MAXIMUS, Inc. to calculate the State's annual indirect cost rate for the Department of Natural Resources and its Divisions using EPA as the cognizant federal agency.2. MAXIMUS, Inc. has been contacted and is currently working on a restricted rate for State FY '07 and FY '08 using the Federal Fiscal FY '05 and FY '06 Sport Fish and Wildlife Restoration apportionments.3. The protocol for determining the need for a restricted rate will be based on the procedure identified in Attachment A which is included as reference.4. DNREC has requested that the Division of Accounting for the State of Delaware establish and identify two sub-object codes O1 and O2 for object code 5648 (Indirect costs) in DFMS. These new sub-object codes under 5648 will be identified as, O1=SWCAP and O2=Departmental. A DFMS report query, using the report F25RB305, will allow the auditor to identify the SWCAP. This will resolve the State FY '06 audit issue as it relates to the ability to track within DFMS the distribution of Indirect Costs recovered from Federal

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

	<p>Grants. Queries will be based on object codes using CFDA numbers.</p> <p>5. The Division of Fish and Wildlife will no longer track internally the breakdown of Indirect cost allocations as the restricted rate will eliminate the need to continue this internal control and accounting protocol as it relates to the 3% cap.</p>
Anticipated Completion Date	Ongoing.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Finance

Division of Accounting

Reference Number:

06-DOA-01

Program:

**16.007, Homeland Security Cluster
97.004,
97.042,
97.067**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Equipment and Real Property Management

Criteria

A state shall use, manage, and dispose of equipment acquired under a federal grant in accordance with State laws and procedures. (OMB Circular A-102 Common Rule for equipment acquired under federal awards received directly from a Federal awarding agency)

Per the *State of Delaware Fixed Asset Accounting Policy*:

All State organizations are responsible for executing and adhering to fixed asset accounting and reporting policies, guidelines, and standards, which include establishing internal written procedures and controls necessary to implement and monitor prescribed fixed asset accounting and reporting policies, guidelines and standards and ensuring the timely, accurate, and complete processing and recording of all necessary transactions in conformance with prescribed fixed asset accounting and reporting policies, guidelines, and standards.

Condition

DEMA passes funds through to other State agencies either by procuring equipment and transferring such equipment to the agencies or by providing formal sub-grants to the agencies to procure specialized equipment. Of the 30 pieces of equipment selected for test work, the following items were not properly recorded on the State's Fixed Asset Accounting System (FAAS) as of June 30, 2006 in accordance with the State of Delaware Fixed Asset Accounting Policy:

- State Police: HazProbe 2002 for Andros Kit (F-6A Robot) - \$25,325
- State Police: 2006 Chevrolet, S/N #1GBE5ViG86F410362 - \$40,498
- State Police: Logos Imaging Scanner System 8x17 - \$25,910
- Department of Technology & Information: Netscreen Firewall - \$94,970
- Department of Technology & Information: Intrusion Detection Appliance - \$54,137
- DNREC: Hazmat ID Extended Package - \$82,500

Cause

DEMA does not record equipment purchased for other State agencies, other than for vehicles, on the State's FAAS. The appropriate fiscal staff at the applicable State agencies were not notified by the agency personnel obtaining the equipment from DEMA and, as a result, did not record the transferred assets into the State's FAAS.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Effect

The assets noted above are not tracked in the FAAS for purposes of accountability for this equipment, including the State's required biannual inventory.

Recommendation

We recommend that the equipment noted above be appropriately recorded in the FAAS. Additionally, we recommend that DEMA implement procedures to provide notification to other State agencies' fiscal personnel when equipment is transferred to those agencies.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Trisha Neely
Agency Contact Phone Number	(302) 672-5500
Corrective Action Plan	<p>The items listed for the State Police and for the Department of Technology have been added to the fixed assets system as of December 31, 2006. However, the State policy on the capitalization of software is for major systems with a value of \$1 million or more. The Department of Technology believes that both of their items are software, and the Division of Accounting has asked them to remove the items from the fixed asset system.</p> <p>DNREC contends that the Hazmat ID Extended Package is primarily software and should not be entered into the fixed asset system. The Division of Accounting will review the item with them and determine if it should be classified as equipment or software. If we determine that the item is equipment, it will be entered onto the fixed assets system by the end of March 2007.</p> <p>The Division of Accounting will also update the Accounting Policy Manuals for Fixed Assets and GAAP Training to emphasis the proper accounting process for the transfer of fixed assets. In addition, proper fixed assets transfer procedures will be given more emphasis in all future training sessions.</p>
Anticipated Completion Date	May 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Labor

Reference Number:

06-DOL-01

Program:

**17.258, Workforce Investment Act
17.260**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Condition

We noted that while the Workforce Investment Act (WIA) Program requires employees to complete and sign a monthly payroll sheet with the hours worked, the allocation to federal grants is generated automatically based on budgeted amounts. Time is not allocated to the federal grant according to actual effort.

Total payroll costs charged to the grant for the year ended June 30, 2006 totaled \$2,210,267.

Cause

We noted that the U.S. Department of Labor (DOL) requires the creation of One Stop centers where individuals can come and for all DOL services but that the One Stop centers are funded under different federal grants. One Stop employees spend time making the determination of an individual's eligibility prior to knowing what the individual is eligible for and the individual may be eligible for any number of programs and grants. WIA is a demand driven program in that as individuals enter a One Stop location they have the right to service and WIA has the responsibility to provide service regardless of funding.

Effect

DOL is not in compliance with federal allowability guidelines to allocate time to grants based on actual and not budgeted amounts.

Recommendation

We recommend that DOL implement an ongoing annual time study approved by the U.S. Department of Labor and use to allocate payroll to the various grants accordingly.

Questioned Costs

The questioned costs associated with this finding are undeterminable as there is no record maintained by the Department as to the actual time spent working on each grant, but the questioned costs could be no more than the total payroll costs of \$2,210,267 charged to the grant.

Views of Responsible Officials

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	We agree to conduct a time and effort study in order to more accurately identify staff effort in relation to the grants.
Anticipated Completion Date	Immediately

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Labor

Reference Number:

06-DOL-02

Program:

**17.258, Workforce Investment Act
17.260**

Type of Finding:

Noncompliance

Compliance Requirement(s):

Eligibility

Criteria

A "Dislocated Homemaker" is an individual who has been providing unpaid services to family members in the home and who (a) has been dependent on the income of another family member but is no longer supported by that income; and (b) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. (29 USC 2801(10))

Condition

We noted during our test work that one individual out of 40 was provided benefits under the Dislocated Worker grant as a dislocated homemaker who did not meet the eligibility requirements. The individual had been dependent on her boyfriend for income, but her boyfriend did not meet the criteria of being a family member. Therefore, criterion (a) from above was not satisfied even though the individual met the criteria for (b) from above and was eligible for aid under WIA.

Cause

The caseworker in charge of the case did not have a clear understanding of the requirements for eligibility of a dislocated homemaker, as this is a seldom-used designation.

Effect

The caseworker in charge of the case did not have a clear understanding of the requirements for eligibility of a dislocated homemaker, as this is a seldom-used designation.

Recommendation

We recommend that WIA include in their ongoing training instruction as to the specific criteria that must be met for a dislocated homemaker. We also recommend that individuals responsible for reviewing files be instructed to be mindful of this area.

Questioned Costs

Questioned costs are \$2,795, which represent the amount of the Dislocated Workers grant funds paid to the ineligible individual.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	We agree to review with staff the specific criteria needed to meet the eligibility requirements for a dislocated homemaker. The manager and supervisor will closely monitor eligibility determinations for all cases and share their findings with their staff at monthly staff meetings.
Anticipated Completion Date	Immediately

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Labor

Reference Number:

06-DOL-03

Program:

**17.258, Workforce Investment Act
17.260**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Reporting

Criteria

Per the General Information from Part 3 of the A-133 compliance supplement audit objectives:

- (1) Obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133.
- (2) Determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

It is also noted that Report ETA-9076D – Local Youth Program Activities – Financial Status Report is required for the WIA program.

Condition

We noted during our reporting test work that all required reports in our test work sample had been reviewed and approved by appropriate levels of management and that they were accurately stated. However in the process of reconciling the reports to the SEFA it was noted that one of the reports which was not selected as part of our sample, the ETA-9076D - 6/30/06 PY05 Youth Program report, had an overstatement of expenses of \$180,000. This error was not detected and corrected by management until the December reporting. This error was not reflected in the cash drawdown process.

Cause

A data entry error on the report did not agree to the support and was not caught in the review process.

Effect

The WIA program is not in compliance with federal eligibility requirements for reporting.

Recommendation

We recommend that WIA implement a stricter review process that includes agreement to supporting documentation.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Kris Brooks
Agency Contact Phone Number	(302) 761-8024
Corrective Action Plan	We recognize that an error occurred and we will institute a procedure whereby the carry forward number will be verified against the supporting documentation prior to submission of the subsequent quarterly report.
Anticipated Completion Date	April 1, 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Transportation

Reference Number:

06-DOT-03

Program:

**20.500, Federal Transit Cluster
20.507**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Reporting

Criteria

Federal agencies shall require grantees to use the SF-269, Financial Status Report-Long Form, or SF-269a, Financial Status Report-Short Form, to report the status of funds for all non-construction projects or programs (OMB Circular A-102, section 2.c). Per Federal Transit Administration (FTA) guidelines, direct recipients of Federal Transit Cluster funds must submit to the FTA a quarterly SF-269A Financial Status Report.

Condition

The last two quarterly SF-269A reports for fiscal year 2006 for the Federal Transit Cluster have not been submitted.

Cause

Staff turnover resulted in nonsubmission of the reports.

Effect

The Department of Transportation did not report its expenditures under the Federal Transit Cluster in accordance with FTA guidelines.

Recommendation

We recommend that the Department of Transportation submit the reports for the last two quarters of fiscal year 2006 and implement procedures to ensure that they are completed in a timely manner going forward.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Kathy S. English
Agency Contact Phone Number	(302) 670-2688
Corrective Action Plan	<p>Pursuant to the State's FY 06 Single Audit recommendation for this finding, please be advised that our federal grants section has been working diligently to get the detailed information necessary to complete the required filing with the FTA.</p> <p>As of today, out of the 16 reportable grants, 11 have been completed, 2 are basically complete and 3 are left to get additional information on. We are very close to having all of the required information and it appears that we will probably be able to complete the filing before the end of this week. With that, DelDOT will be current in its reporting with the FTA.</p>
Anticipated Completion Date	March 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:**06-DPH-01****Program:****10.557 Supplemental Nutrition Program for Women, Infants, and Children****66.468 Capitalization Grants for Drinking Water State Revolving Funds****93.268 Immunization Grants****93.917 HIV Care Formula Grants****Type of Finding:****Material Noncompliance, Material Weakness****Compliance Requirement(s):****Allowable Costs (Effort Reporting)*****Criteria***

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Substitute systems, which use sampling methods, must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

Condition

Supplemental Nutrition Program for Women, Infants, and Children

For payroll costs, employees fill out certifications illustrating the amount of time spent on the federal grant. The program started using certifications in February 2006, and the initial effective period was January 1, 2006 through March 31, 2006.

Also, in one of the 43 items tested for the second half of fiscal year 2006, the certification shows the employee has worked less than 100%, for which a true-up of the allocation of the employee's salaries and benefits is necessary, but not carried out.

Capitalization Grants for Drinking Water State Revolving Funds

For payroll costs, employees fill out semi-annual certifications illustrating the amount of time spent on the federal grant. For 2 of the 15 employees tested, the semi-annual certifications show a percentage less than 100%, for which a true-up of the allocation of the employee's salaries and benefits is necessary, but not carried out.

Immunization Grants

For payroll costs, employees fill out semi-annual certifications illustrating the amount of time spent on the federal grant. For 16 of the 16 employees tested, no semi-annual certifications were produced by the program. In addition, one employee charged to the program was not on the Immunization Grants payroll nor was there a listing of this position on the personnel summary included in the grant application. This position is 100% funded by another federal program within the Bureau of Communicable Diseases.

HIV Care Formula Grants

For payroll costs, employees fill out semi-annual certifications illustrating the amount of time spent on the federal grant. For 4 of the 4 employees tested, no semi-annual certifications were produced by the program.

Cause

Employees' salaries and benefits are charged to federal grants based on its full-time equivalent ratio, which is how the budget is set up in the PHRST payroll system. The budgeted amounts are used exclusively, and there is no control to true up the allocation based on semi-annual certifications that are signed by the employees.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Effect

Salaries and benefits of employees who did not work 100% on the federal grant are charged as if they did.

Recommendation

We recommend an internal control be implemented at the program level to reconcile semi-annual cost certifications to the budget and allocate the differences to each federal grant.

Questioned Costs

Supplemental Nutrition Program for Women, Infants, and Children

Total salaries and benefits of \$821,055.

Capitalization Grants for Drinking Water State Revolving Funds

Total salaries and benefits of \$3,426.

Immunization Grants

Total salaries and benefits of \$839,967.

HIV Care Formula Grants

Total salaries and benefits of \$184,816.

Views of Responsible Officials

Agency Contact Name	Terrance Zimmerman, Deborah Clendaniel, & Barbara Jarrell
Agency Contact Phone Number	(302) 744-4700
Corrective Action Plan	Division of Public Health (DPH) staff will be meeting with the state's contracted costing vendor to discuss methodologies for determining time and effort reporting. DPH will select a method of sampling, cost allocation and determination following discussions with vendor; and implement the sampling and reporting method across programs in the division.
Anticipated Completion Date	July 2008

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-02

Program:

10.557 Supplemental Nutrition Program for Women, Infants, and Children

Type of Finding:

Qualification (Scope Limitation), Material Weakness

Compliance Requirement(s):

Eligibility

Criteria

Applicants for the Supplemental Nutrition Program for Women, Infants, and Children (WIC) Program benefits are screened at WIC clinic sites to determine their WIC eligibility. To be certified eligible, they must meet the following eligibility criteria (7 CFR sections 246.7(c), (d), (e), (g), and (l)):

- a. *Categorical* – Eligibility is restricted to pregnant, postpartum, and breast-feeding women, infants, and children up to their fifth birthday (7 CFR sections 246.2 (definition of each category) and 246.7(c)).
- b. *Identity and Residency* – Except in limited circumstances, WIC applicants must be physically present for eligibility screenings and must provide proof of identity. An applicant must also meet the State agency's residency requirement. Except in the case of Indian State agencies, the applicant must reside in the jurisdiction of the State. Indian State agencies may require applicants to reside within their jurisdiction. All State agencies may designate service areas for any local agency, and may require that applicants reside within the service area. A State agency must establish procedures, in accordance with guidance from FNS, to prevent the same individual from receiving duplicate benefits through participation at more than one local agency. Except under limited circumstances, WIC applicants must present proof of identity and residency at certification. Documentation of these determinations may consist of descriptions of documents evidencing the applicants' identities and residency, copies of the documents themselves, and/or the applicants' written statements when no other documentation exists. Certification procedures prescribed by the State agency set conditions for relying on these different forms of documentation (42 USC 1786(f)(23); 7 CFR sections 246.7(c)(1), 246.7(i)(3) and (4), and 246.7 (l)(2)).
- c. *Income* – An applicant must meet an income standard established by the State agency or be determined to be automatically (adjunctively) income-eligible based on documentation of his/her eligibility, or certain family members' eligibility, for the following Federal programs: (1) Temporary Assistance for Needy Families (formerly Aid To Families With Dependent Children); (2) Medicaid; or (3) Food Stamps. State agencies may also determine an individual automatically income-eligible, based on documentation of his/her eligibility for certain State-administered programs. With limited exceptions, applicants who are not adjunctively or automatically income eligible for WIC must provide documentation of family income at their initial or subsequent certification (42 USC 1786(d)(3)(D); 7 CFR sections 246.2 (definition of family), 246.7(c), and 246.7(d)).

Income Guidelines – The income standard established by the State agency may be up to 185% of the poverty income guidelines issued annually by HHS or State or local income guidelines used for free and reduced-price health care. However, in using health care guidelines, the income guidelines for WIC must be between 100 and 185% of the poverty income guidelines. Local agency income guidelines may vary as long

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

as they are based on the guidelines used for free and reduced-price health care (7 CFR section 246.7(d)(1)). The WIC income eligibility guidelines are issued each year in the *Federal Register* and are available on FNS's WIC web site (<http://www.fns.usda.gov/wic>).

Income Eligibility Determination – Except for applicants determined to be automatically income-eligible, income is based on gross income and other cash readily available to the family or economic unit. Certain Federal payments and benefits are excluded from the computation of income. In addition, the State agency may exclude housing allowances received by military services personnel residing off military installations or in privatized housing, whether on or off-base (7 CFR section 246.7(d)(2)(iv)(A)(1)). The State agency also may exclude any cost-of-living allowance provided to military personnel who are on duty outside the contiguous States of the United States (7 CFR section 246.7(d)(2)(iv)(A)(2)). At a minimum, in-stream (away from home base) migrant farm workers and their families with expired Verification of Certification cards shall meet the State agency's income standard provided that the income of the family is determined at least once every 12 months (7 CFR section 246.7(d)(2)(ix)).

An Indian State agency, or a State agency acting on behalf of an Indian local agency, may submit reliable data that proves to FNS that the majority of Indian households in a local agency service area have incomes at or below the State agency's income guidelines. In such cases, FNS may authorize the State agency to permit the use of an abbreviated income screening process whereby an applicant affirms, in writing, that his/her family income is within the State agency's prescribed guidelines (7 CFR section 246.7(d)(2)(viii)).

State agencies may instruct local agencies to consider family income over the preceding 12 months or the family's current rate of income, whichever indicator more accurately reflects the family's income status. However, applicants in which an adult member is unemployed shall have income determined based on the period of unemployment. A State or local agency may require verification of information which it determines necessary to confirm income eligibility (7CFR sections 246.7(d)(2)(i) and (v)).

- d. *Nutritional Risk* – A competent professional authority (e.g., physician, nutritionist, registered nurse, or other health professional) must determine that the applicant is at nutritional risk. While the broad guidelines for determining nutritional risk are set forth in WIC legislation and regulations, the specific allowable nutritional risk criteria are defined in WIC policy guidance, which is updated periodically. Each State agency may choose which allowable nutritional risk criteria will be used to determine eligibility. At a minimum, the certifying agency must perform and/or document measurements of each applicant's height or length and weight. In addition, a hematological test for anemia must be performed or documented at certification if the applicant has no nutritional risk factor prescribed by the State agency other than anemia. Certified applicants with qualifying nutritional risk factors other than anemia must also be tested for anemia within 90 days of the date of certification. Program regulations set several exceptions to these general rules. The determination of nutritional risk may be based on current referral data provided by a competent professional authority who is not on the WIC staff (7 CFR sections 246.2 (definitions of competent professional authority and nutritional risk) and 246.7(e)).

When an applicant meets all eligibility criteria, he/she is determined by WIC clinic staff to be eligible for program benefits. Certification periods are assigned to each participant based on categorical status for women, infants, and children (7 CFR section 246.7(g)).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

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Year ended June 30, 2006

A WIC local agency assigns each eligible person a priority classification according to the classification system described in 7 CFR section 246.7(e)(4). A person's priority assignment reflects the severity of his/her nutritional risk. If the local agency cannot immediately place the person on the program for lack of an available caseload slot, the person is placed on a waiting list. Caseload vacancies are filled from the waiting list in priority classification order. State agencies are expected to target program outreach and caseload management efforts toward persons at greatest nutritional risk (i.e., those in the highest priority classifications).

Pregnant women are certified for the duration of their pregnancy and for up to six weeks postpartum. Breast-feeding women may be certified for six-month intervals ending with the breast-fed infant's first birthday. Infants are certified at intervals of approximately six months, except that infants under six months of age may be certified for a period extending up to the child's first birthday, provided the quality and accessibility of health care services are not diminished. Children are certified for six-month intervals ending with the month in which the child reaches the fifth birthday. Non-breast-feeding women are certified for up to six months postpartum.

Condition

Information concerning eligibility of individuals who live in the Southern Delaware region is managed in a database controlled by the Southern Tier. However, the Southern Tier does not maintain supporting documentation related to these individuals. Approximately 40% of all eligible participants live in the Southern Delaware region.

Cause

The WIC Program does not maintain supporting documentation for eligible participants.

Effect

It is possible that ineligible participants exist in the program.

Recommendation

We recommend that the WIC Program maintain supporting documentation for all eligible participants at each site for at least a two-year period.

Questioned Costs

Questioned costs are not determinable.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Joanne White
Agency Contact Phone Number	(302) 739-4614
Corrective Action Plan	A data file of all participants for eligibility testing is created and stored at the BIGGS data center. The data is from January 1, 2007 to the present.
Anticipated Completion Date	Completed, January 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-03

Program:

10.557 Supplemental Nutrition Program for Women, Infants, and Children

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Special Tests and Provisions (Review of Food Instruments to Enforce Price Limitations and Detect Errors)

Criteria

A State agency operating a retail food delivery system must take the following actions to ensure that payments of WIC food funds to vendors conform to program regulations and the State agency's vendor agreement:

- a. *Food Instrument (FI) Review Process* – The State agency must have in place a process for reviewing all, or a representative sample of, FIs submitted by vendors for redemption. The review is done on an aggregate basis rather than on a vendor basis. Because of the wide disparity in the number of FIs processed by State agencies, there are no criteria for determining what constitutes a representative sample, other than that it must be a representative sample of FIs submitted. At a minimum, this process must be able to detect:
 - (1) Redeemed monetary amounts that exceed the maximum monetary purchase amounts established by the State agency for each type of FI.
 - (2) Other errors, including purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; FIs transacted or redeemed after the specified time period; and altered purchase price.
 - (3) Questionable FIs that, while they may not clearly contain errors, nevertheless require follow-up to determine if an error has occurred.
- b. *Follow-up on Erroneous or Questionable FIs* – The State agency must follow up on FIs containing errors and other questionable FIs detected through this process within 120 days following detection. Regulations at 7 CFR Sections 246.12(k)(2) through (k)(5) describe appropriate follow-up actions (7 CFR Section 246.12(k)).

Condition

The WIC Program has procedures in place to review all FIs for redeemed monetary amounts that exceed the maximum monetary purchase amounts and FIs transacted or redeemed after the specified time period. Additionally, the program has procedures in place to follow up on FIs specifically flagged for further review by vendors or the bank that processes the FIs. However, for an eleven-month period during the State's fiscal year, the WIC Program did not review all, or a representative sample of, printed FIs to specifically address whether they have been physically altered.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Cause

The WIC Program recently implemented policies and procedures to address the requirement related to physical review of a representative sample of printed FIs. Printed FIs may be reviewed for a number of reasons, including flagging by a vendor or the bank processing the transactions. However, the FIs reviewed do not constitute a representative sample.

Effect

The WIC Program may not detect printed FIs that have been physically altered.

Recommendation

We recommend that the WIC Program continue to enforce policies and procedures to address physical review of a representative sample of printed FIs to supplement its computerized reviews of FI data.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Joanne White
Agency Contact Phone Number	(302) 739-4614
Corrective Action Plan	A monthly representative sample of printed food instruments is reviewed by WIC state staff to monitor for any physical altering of the food instrument.
Anticipated Completion Date	March 2007

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-04

Program:

10.557 Supplemental Nutrition Program for Women, Infants, and Children

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Eligibility

Criteria

Applicants for WIC Program benefits are screened at WIC clinic sites to determine their WIC eligibility. The State agency's monitoring policy states, "the State Agency staff or other appointed State Agency office representatives monitors every clinic site on an ongoing basis (at least 20% of clinics will be reviewed yearly". (Chapter X, Section 1, Subject: Monitoring and Audits)

Condition

The WIC Program has 12 clinic sites to determine if individuals qualify for benefits. During fiscal year 2006, the WIC Program visited only one clinic site (Shipley SSC in Seaford).

Cause

The WIC Program staff did not have enough resources to allocate to site visits.

Effect

The Program did not follow the State's guidelines.

Recommendation

We recommend that the WIC Program enforce the policy regarding site visits, as noted above.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Joanne White
Agency Contact Phone Number	(302) 739-4614
Corrective Action Plan	A schedule for clinic reviews in accordance with Delaware WIC policy and procedures is in place which specifies a site review of 2 sites per year.
Anticipated Completion Date	March 31, 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-05

Program:

93.268 Immunization Grants

93.917 HIV Care Formula Grants

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Reporting

Criteria

Immunization Grants

An annual Financial Status Report (FSR) must be completed within 90 days after the end of the budget period. This report (Standard Form 269) must be submitted by March 31, 2006 for the reporting period January 1, 2005 through December 31, 2005, and it should include only those funds authorized and expended during the budget period (Notice of Cooperative Agreement, 45 CFR 92.41). An interim report is allowed to be filed within 90 days at the request of the grantee if more time is needed to complete and file an accurate final report (45 CFR 92.23).

HIV Care Formula Grants

An annual Financial Status Report (FSR) must be completed within 90 days after the end of the budget period. This report (Standard Form 269) must be submitted by June 30, 2006 for the reporting period April 1, 2005 through March 31, 2006, and it should include only those funds authorized and expended during the budget period (Notice of Cooperative Agreement, 45 CFR 92.41). An interim report is allowed to be filed within 90 days at the request of the grantee if more time is needed to complete and file an accurate final report (45 CFR 92.23).

Condition

Immunization Grants

The interim FSR completed for award H23/CCH322567-03 for the year ending December 31, 2005, was not submitted within the required 90-day timeframe. This report was submitted on June 9, 2006. In addition, the FSR included expenditures and unliquidated obligations through March 31, 2006, rather than December 31, 2005.

HIV Care Formula Grants

The annual FSR completed for award 2X07HA00081-15-00 for the period ending March 31, 2006, was submitted on January 11, 2007, and included transactions through December 31, 2006. The additional transactions reported from April 1, 2006 through December 31, 2006 amounted to \$878,814 in credits and \$243,178 in expenditures (net of \$635,636) which should have been reported in subsequent periods.

Cause

The Program attempted to provide the most up-to-date information through the due date of the report to the Federal-granting agency. In addition, there was staff turnover in the fiscal office.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Effect

Reported expenditures are overstated, and unliquidated obligations are understated.

Recommendation

We recommend the program's policies and procedures be amended to ensure that cut-off for financial reporting is proper.

Questioned Costs

Immunization Grants

Questioned costs are not determinable.

HIV Care Formula Grants

Questioned costs are \$635,636, the net error noted on the financial reports for the HIV Program.

Views of Responsible Officials

Agency Contact Name	Iwana Smith
Agency Contact Phone Number	(302) 744-4548
Corrective Action Plan	An annual FSR shall be completed 90 days after the grant end date. DPH will use the 90 day financial report to complete annual and/or Final FSRs.
Anticipated Completion Date	March 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number: 06-DPH-06
Program: 93.268 Immunization Grants
Type of Finding: Noncompliance, Reportable Condition
Compliance Requirement(s): Allowable Costs

Criteria

To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be allocable to Federal awards under the provisions of this Circular.
- Be adequately documented.

Condition

For 2 of 30 transactions tested, the transaction involved a vendor who was overpaid by \$1,101 from the Immunization Grants Program and underpaid for another federal program within the Department.

Cause

Program costs from two different federal grants were combined and charged to the Immunization Grants Program.

Effect

Unallowable costs were charged to the program.

Recommendation

The Immunization Grants Program should follow policies and procedures that do not allow expenditures for one federal program to be charged to another federal program. Cost allocation decisions around common vendors should be documented by program personnel who approve the invoices.

Questioned Costs

Known questioned costs of \$1,101 related to the invoices noted above.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Martin Luta
Agency Contact Phone Number	(302) 744-1060
Corrective Action Plan	<p>The immunization program shall work with the agents responsible for the performance of all contracts to ensure that cost allocation decisions around common vendors are documented by program personnel who approve the invoices.</p> <p>This will be achieved by having all PO's validated and backed up with appropriate source documents before payments are made.</p>
Anticipated Completion Date	March 31, 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-07

Program:

**93.283 Centers for Disease Control and Prevention
Investigations and Technical Assistance**

Type of Finding:

Material Noncompliance, Material Weakness

Compliance Requirement(s):

Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems that use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Condition

The CDC Grant program (CFDA number 93.283) is comprised of many different grants, each of which has unique compliance requirements.

Because CDC Grant employees are generally funded 100% with Federal funds, in the prior year we recommended that the CDC Grant program begin requiring employees to certify that they worked 100% on CDC Grant program activities, at least semi-annually. Total salaries and fringe benefit costs charged to the CDC Grant program for fiscal year 2006 were \$3,025,930. Total expenditures for fiscal year 2006 were \$10,978,576.

We selected the following federal grants within the CDC Grant program for test work:

- Cancer screening and prevention
- Bioterrorism
- Public health surveillance

The Screening for Life section, which is responsible for cancer screening and prevention grants, did not implement our prior year recommendations in the current year.

The Division of Public Health Preparedness Section, which is responsible for the bioterrorism portion of the CDC Grant program, implemented a semi-annual certification process in the current year. The certification statement reads as follows:

“In accordance with the requirements described above and as set forth in OMB Circular A-87, Attachment B...I certify that during the period _____ to _____, I attest that each of the following employees that I directly supervise devoted all of their 37.5 hour work week to activities and duties directly relating to the State of Delaware’s Public Health Preparedness Program. If the employee commenced and/or ended employment during the six-month certification period, a starting and/or ending date of employment is indicated.”

However, the State of Delaware’s Public Health Preparedness Program consists of multiple federal and state funding streams which require separate cost tracking and reporting and therefore is not specific enough to meet the requirements of OMB Circular A-87, Attachment B.8.h.3.

Cause

The CDC Grant program management believed that certification at the Public Health Preparedness Program level was in sufficient detail to meet the requirements of OMB Circular A-87.

The management of Screening for Life is in the process of addressing prior year recommendations.

Effect

Effort reporting did not meet federal requirements.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Recommendation

We recommend that the semi-annual certifications be revised to further classify employees as to single federal award or cost objective within the State of Delaware Public Health Preparedness Program.

We further recommend that, if it is determined that an employee cannot be classified within a single federal award or cost objective, that personnel activity reports be prepared consistent with OMB Circular A-87, Attachment B.8.h.4 and 8.h.5).

Questioned Costs

Total salaries and benefits for fiscal year 2006 are \$3,025,930.

Views of Responsible Officials

Agency Contact Name	Terrance Zimmerman, Deborah Clendaniel, & Barbara Jarrell
Agency Contact Phone Number	(302) 744-4700
Corrective Action Plan	<p>Division of Public Health (DPH) staff will be meeting with the state's contracted costing vendor to discuss methodologies for determining time and effort reporting.</p> <p>DPH will select a method of sampling, cost allocation and determination following discussions with vendor; and implement the sampling and reporting method across programs in the division.</p>
Anticipated Completion Date	July 2008

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-08

Program:

**93.283 Centers for Disease Control and Prevention
Investigations and Technical Assistance**

Type of Finding:

Material Noncompliance, Material Weakness

Compliance Requirement(s):

Allowable Costs

Criteria

The Secretary of Health and Human Services, acting through the Director of the Centers for Disease Control and Prevention, may make grants to States on the basis of an established competitive review process for the purpose of carrying out programs to:

- (1) screen women for breast and cervical cancers as a preventive health measure;
- (2) provide appropriate referrals for medical treatment of women screened pursuant to paragraph (1) and to ensure, to the extent practicable, the provision of appropriate follow-up services and support services such as case management;
- (3) develop and disseminate public information and education programs for the detection and control of breast and cervical cancers;
- (4) improve the education, training, and skills of health professionals (including allied health professionals) in the detection and control of breast and cervical cancers;
- (5) establish mechanisms through which the States can monitor the quality of screening procedures for breast and cervical cancers, including the interpretation of such procedures; and
- (6) evaluate activities conducted under paragraphs (1) through (5) through appropriate surveillance or program-monitoring activities

(42 USC § 300k.)

The Minimum Data Elements (MDE's) are a set of standardized data elements developed to ensure that consistent and complete information on screening location, patient demographic characteristics, screening results, diagnostic procedures, tracking and follow-up, and treatment information are collected on women screened and/or diagnosed with NBCCEDP funds. These are the data items that are minimally necessary for NBCCEDP-sponsored Programs and the CDC to monitor clinical outcomes (NBCCEDP Policies and Procedures Manual, III-1).

Public Law 101-354 requires:

- A non-federal share match of \$1 for every \$3 of federal support for NBCCEDP. In making a determination of the amount of non-federal contributions for this purpose, only non-Federal contributions in excess of the average amount of non-Federal contributions made by the State in the 2-year period preceding the first fiscal year for which the State is applying will be included (42 USC § 300I)

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Year ended June 30, 2006

- A limit on administrative costs of no more than 10% of costs (42 USC § 300n(f))

Additionally, per cooperative agreement U55/CCU321881, carryforward of funds from one budget period to the next must be requested by the State, and an annual SF-269 report is due at the conclusion of each budget period.

Condition

We noted that, in order to ensure provider claims are accurately paid, significant manual manipulation of the Screening for Life (SFL) database is required, including:

- Reviewing the data for duplicate claims and suppressing payment on duplicates as appropriate
- Reviewing and changing as appropriate State appropriation codes and fiscal years
- Reviewing suspended items for propriety and changing status as appropriate
- Reviewing claims denied for propriety and changing status as appropriate

We also noted that:

- There is no up-to-date system documentation including support of changes that have been made to the system since inception, which may result in difficulties in updating the SFL system for programmatic changes.
- The system is based on Access 97, which is an application that is no longer supported by Microsoft. This may result in difficulties in updating the SFL system for programmatic changes.
- Test and production databases are on the same server, which may result in data being erroneously changed.
- The system does not include all MDE's mandated by the grantor, which may result in difficulty providing adequate screening data to the grantor agency.
- Physical and logical security surrounding the SFL system contain weaknesses, such as the ability of users to potentially by-pass the data entry screens and manipulate underlying data, that may result in data being changed without the knowledge of program personnel.

Total claims paid for the year ended June 30, 2006 were \$494,324. This amount impacts other financially related compliance requirements, including matching, maintenance of effort, period of availability, and financial reporting. Total expenditures for CFDA number 93.283 were \$10,978,576.

Cause

The Screening for Life (SFL) Program experienced significant turnover in key personnel from 2002-2005. The maintenance of the SFL application was not a priority during this time.

We recommended in the prior year that the SFL Program implement a secure application that accurately and appropriately processes SFL claims data in accordance with program regulations. Per the Summary Status of Prior Year Findings, corrective action is in process and has not yet been completed.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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Effect

Inability of SFL personnel to effectively and efficiently process SFL claims and related financial information.

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan, which includes a proposal to enhance the Department of Health and Social Services (DHSS) Medicaid Management Information System (MMIS) to include Screening for Life cancer screening program.

Questioned Costs

Total cancer screening claims paid under the NBCCEDP for State fiscal year 2006 of \$494,324.

Views of Responsible Officials

Agency Contact Name	Carmen Herrera
Agency Contact Phone Number	(302) 741-8610
Corrective Action Plan	SFL, IMS, and IRM are currently working together on a Cancer Screening Information System RFP.
Anticipated Completion Date	May 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-09

Program:

**93.283 Centers for Disease Control and Prevention
Investigations and Technical Assistance**

Type of Finding:

Noncompliance, Material Weakness

Compliance Requirement(s):

Davis-Bacon Act

Procurement, Suspension, and Debarment

Criteria

Davis-Bacon Act

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Suspension and Debarment

Non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 (\$25,000 after November 26, 2003).

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (CFR, Part II, "Government wide Debarment and Suspension")

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Condition

For 4 of 7 procurements tested, standard state contracts were not utilized although the projects were competitively bid in accordance with State policy. The contract value for the four exceptions was \$1,676,959 and these contracts:

- Were not in the DHSS standard format and were executed by an individual who did not have the authority to execute the contract in accordance with State and DHSS policy.
- Did not include the standard suspension and debarment certification language, and it did not check suspension and debarment against the federal suspension and debarment listing

Additionally, for the construction projects the CDC program:

- Did not require certified payrolls from the contractor and did not perform monitoring procedures related to the Davis-Bacon Act
- Did not record the Construction Work in Progress (CWIP) in accordance with the State's Fixed Asset Manual

However, we did note that:

- All but one of the contracts were competitively bid in accordance with State policy (one not bid for \$160,981)
- The contractor was not suspended or debarred based on a review of the excluded parties list
- The contractor was notified by the State of the usage of appropriate wage rates

While we see in the FY 2006 CAP's current status that changes were made effective 2/1/06, we note that there were 7 full months during the fiscal year that the changes were not implemented, and there was a contract that was executed during this fiscal year that followed the conditions mentioned above.

Cause

Federally funded construction projects are infrequent for most State agencies, including DHSS.

Under State law, State-funded construction projects follow a separate set of prevailing wage rate regulations. Under these regulations, contractors are not required to submit certified payrolls to the State of Delaware but must retain them on file for a period of three years. The State Department of Labor, Division of Labor Law Enforcement, is responsible for oversight of prevailing wage rates for State-funded construction projects, but does not have responsibility for federally funded projects.

The one contract not bid was asserted to be a sole source procurement by the CDC Program. However, appropriate documentation to support this determination was not available.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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Effect

Differences between State and Federal requirements concerning prevailing wage rates have resulted in a lack of clarity concerning requirements and responsibilities related to federally funded or jointly funded construction projects.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the CDC Program develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Questioned Costs

Questioned costs are \$160,981, the total of the contract not appropriately bid.

Views of Responsible Officials

Agency Contact Name	Melody Lasana/Terry Zimmerman
Agency Contact Phone Number	(302) 255-9235/(302) 744-4700
Corrective Action Plan	DMS/DPH will continue with the development and implementation of procedures to ensure the application of all procurement and fixed asset reporting requirements.
Anticipated Completion Date	June 2007

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2006

Department of Health and Social Services Division of Public Health

Reference Number:	06-DPH-10
Program:	93.917 HIV Care Formula Grants
Type of Finding:	Qualification (Scope Limitation), Material Weakness
Compliance Requirement(s):	Level of Effort

Criteria

The State will maintain HIV-related activities at a level that is equal to or not less than the level of such expenditures by the State for the one-year period preceding the fiscal year for which the State is applying for Title II funds (42 USC 300ff-27(b)(6)(E)).

Condition

HIV Formula Care Grant Program has not maintained its overall level of HIV-related expenditures. It is noted through inspection of reported information that federal funds of the HIV Formula Care Grants program expended were \$4,142,745 in State fiscal year 2005 and \$3,797,914 in State Fiscal Year 2006. However, the level of effort criteria covers the entire State's activities. Thus, through inspection of the periods April 1, 2003 through March 31, 2004 (2003) and April 1, 2004 through March 31, 2005 (2004) (the most recently completed fiscal years at the time of the application for 2006 funds), it was noted that the Division estimated that it had expended from all sources \$10,081,006 and \$10,499,036, respectively. Since estimates are used to determine total level of effort of HIV expenditures, it is not determinable whether the State actually meets the requirement.

Cause

The sources of information used to determine maintenance of effort Statewide are located across several different State agencies, and, in some cases, amounts used must be estimated because HIV-related expenditures are not separately tracked.

Effect

The HIV Program may not be in compliance with level of effort requirements based on actual expenses incurred.

Recommendation

We recommend that the HIV Program, in conjunction with the Department of Health and Social Services, Division of Management Services, work with other HIV service providing agencies throughout the State to obtain accurate expenditure information.

Questioned Costs

There are no questioned costs associated with this finding.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	John Kennedy
Agency Contact Phone Number	(302) 744-1050
Corrective Action Plan	As of April 2006, all financial information is based on actual expenditures.
Anticipated Completion Date	Completed April 1, 2006

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number: 06-DPH-11
Program: 93.917 HIV Care Formula Grants
Type of Finding: Noncompliance, Reportable Condition
Compliance Requirement(s): Allowable Costs

Criteria

To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be allocable to Federal awards under the provisions of this Circular.
- Be adequately documented.

Expenditures of federal awards should be recorded net of all applicable credits, including rebates. (A-87, Attachment A, paragraph C.4).

Condition

We noted one Payment Voucher (PV) document in our sample of 30 transactions tested that related to health insurance premiums totaling \$1,012, which were paid with federal funds.

We further noted, upon review of supporting documentation for Cash Receipt (CR) documents, that one CR included four checks totaling \$1,943 that were not credited to the expenditures for the program.

Cause

The State did not have the funding available to pay the above PV and, as a result, charged the invoice to the HIV Program.

Effect

Unallowable costs were charged to the HIV Program.

Recommendation

The HIV Program should comply with Division policies and procedures, which do not allow State expenditures to be charged to federal programs.

Questioned Costs

Questioned costs include:

- \$1,012, the total State expenses charged to the HIV Program.
- \$(1,943), the total amount not credited to the expenditures for the HIV Program.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	James Talbott
Agency Contact Phone Number	(302) 744-1050
Corrective Action Plan	Ensure that expenditures are charged against the appropriate program. On a quarterly basis, programs with multiple funding sources will be reconciled. DPH is unable to re-code the \$1,012 due to the close-out of the state fiscal year.
Anticipated Completion Date	March 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number: 06-DPH-12
Program: 93.917 HIV Care Formula Grants
Type of Finding: Noncompliance, Reportable Condition
Compliance Requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

\$3,677,794 was expended under subcontracts for fiscal year 2006 for the HIV Formula Care Grant program. Total expenditures for the program for fiscal year 2006 were \$3,797,914.

The HIV Program routinely requests audit reports as part of its annual contract renewal process. The Division's "Checklist for Completing Contract Renewals" includes a line for recording the year of the most recent audit report, the date of the audit, and the initials of the individual who reviewed the report. However, the Division does not maintain copies of the OMB Circular A-133 audit reports received from subrecipients.

Cause

The Division does not have a formal policy to obtain, review, and take action on single audit reports received from its subrecipients.

Effect

The Division does not maintain documentation to support its effective monitoring of subrecipient audit reports.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Recommendation

We recommend that the HIV Program:

- Retain all OMB Circular A-133 audit reports received.
- Obtain confirmation from subrecipients that do not submit an OMB Circular A-133 audit report that they were not required to do so because they did not meet the expenditure threshold or for some other reason.
- Document its consideration of any findings contained in the OMB Circular A-133 audit reports including the impact of any noncompliance or internal control weaknesses on the contract renewal process and future monitoring efforts.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Stanley Waite
Agency Contact Phone Number	(302) 744-1050
Corrective Action Plan	<p>The Ryan White Program will reconcile the CCHS contract for total expenditures from 7-1-05 to 5-31-06.</p> <p>The Ryan White Program will ensure that all sub recipients expending more than \$500K or more in federal awards during the sub recipient's fiscal year will submit an OMB Circular A-133 within 9 months of the audit period.</p> <p>The Ryan White Program will monitor all sub recipients on an annual basis to insure that a copy of the OMB Circular A-133 audit report will be maintained in the pass-through office.</p>
Anticipated Completion Date	November 15, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number: 06-DPH-13
Program: 93.917 HIV Care Formula Grants
Type of Finding: Noncompliance, Reportable Condition
Compliance Requirement(s): Earmarking

Criteria

Earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

- a. The State may not use more than 10% of the amounts received under the grant for planning and evaluation activities (42 USC 300ff-28(b)(3)).
- b. The State may not use more than 10% of the funds amounts received under the grant for administration (42 USC 300ff-28(b)(4)).
- c. A State may not use more than a total of 15% of the amounts received for the combined costs for administration, planning, and evaluation. States and territories that receive a minimum allotment (between \$200,000 and \$500,000) may expend up to the amount required to support one full-time equivalent employee for any or all of these purposes (42 USC 300ff-28(a)(1), 28(b)(5), and 28(b)(6)).
- d. The aggregate of expenditures for administrative expenses by entities and subcontractors (including consortia) funded directly by the State from grant funds (first-line entities) may not exceed 10% of the total allocation of grant funds to the State (without regard to whether particular entities spend more than 10% for such purposes) (42 USC 300ff-28(c)(4)(A)).
- e. For the purpose of providing health and support services to women, youth, infants, and children with HIV disease, including treatment measures to prevent the perinatal transmission of HIV, a State shall use for each of these populations not less than the percentage of Title II funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS (42 USC 300ff-21(b)). This information is provided to the State by HRSA in the annual application guidance (Appendix II, Estimated Number/Percent of Women, Infants, and Children Living with AIDS in States and Territories).
- f. A State shall use a portion of the funds awarded to establish a program to provide therapeutics to treat HIV disease or prevent the serious deterioration of health arising from HIV disease in eligible individuals, including measures for the prevention and treatment of opportunistic infections. The amount of this specific earmark for ADAP will be provided in the grant agreement (42 USC 300ff-26(a)).

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

- g. A State shall establish a quality management program to determine whether the services provided under the grant are consistent with the most recent Public Health Service guidelines for the treatment of HIV disease and related opportunistic infection and, as applicable, to develop strategies for bringing these services into conformity with the guidelines. Funds used for this purpose may not exceed the lesser of 5% of the amount received under the grant, or \$3,000,000 (42 USC 300ff-22(d)).

Condition

Program management has an internal tracking system that details expenditures and rebates by month; however, the system is unable to show how it reconciles to the accounting system (DFMS).

Cause

Program management does not have supporting documentation to prove that it reconciles DFMS records with the internal tracking system.

Effect

The HIV Program does not have documentation to support compliance with the earmarking requirement e. as noted above. However, we noted that the Program did have documentation to support compliance with all other earmarking requirements above.

Recommendation

We recommend that the Division's management add a control total to the internal tracking system so that it is possible to validate the accuracy of the data to DFMS.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Jim Talbott
Agency Contact Phone Number	(302) 744-1050
Corrective Action Plan	All expenditures are tracked by budget line item on a weekly basis. The program has added a control line to the internal tracking system which now reconciles to DFMS.
Anticipated Completion Date	Completed March 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Public Health

Reference Number:

06-DPH-14

Program:

**93.283 Centers for Disease Control and Prevention,
Investigations and Technical Assistance**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Equipment and Real Property Management

Criteria

The State's Fixed Asset Manual requires the following:

Under accounting rules required by GASB Statement No. 34, all fixed assets of a governmental entity must be reported at the entity-wide perspective in the Statement of Net Assets at historical cost (or estimated historical cost) less building improvements, vehicles, furniture, equipment, easements, infrastructure and construction work-in-process (CWIP). (State of Delaware Fixed Asset Manual, Section IV.A)

Although the Secretary of the Department of Administrative Services (DAS) is primarily responsible for the construction of new buildings as well as additions and renovations to existing buildings, any department that has construction projects must follow the same procedures as DAS. At the close of the fiscal year, DAS will report CWIP balances in the State's Annual GAAP package... for inclusion in the State's financial statements. For complete projects, the department processing payments must enter the item onto the DFMS system and complete a transfer to the department that has control of the asset. In addition, the purchasing agency must remove the asset from the CWIP report. Adding the complete project to the fixed asset System must be done in the same fiscal year that the project is removed from the CWIP report. Changes to the original fixed asset value cannot be made after the original fixed asset document has been processed. Any unpaid bills or retainage fees paid after the asset has been transferred from CWIP to one of the asset classes should be added to the fixed asset as a betterment. Documentation to support the land/buildings/improvements and CWIP will be maintained by DAS (State of Delaware Fixed Asset Manual, Section II.D).

A-102 Common rule requires the following; Equipment records shall be maintained, a physical inventory be taken once every two years and reconciled to equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Condition

The CDC program did not record \$1.2 million in CWIP as an asset in accordance with the State's Fixed Asset Manual.

The CDC program also did not record \$101,419 for two fixed asset items purchased with federal funds on the Public Health Preparedness Section Fixed Assets report.

Cause

Although the Fixed Asset manual indicates that DAS is responsible for managing and recording CWIP, this is not the case for federally-funded projects. In the case of the CWIP, DAS assisted with the competitive bidding process but not the contracting or ongoing monitoring of the project.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

In the case of the fixed assets not being reported on the Public Health Preparedness Section, the program management did not initially record the purchases in its inventory.

Effect

The fixed assets owned and paid for by federal dollars by the CDC program are not properly tracked in the records of the State.

Recommendation

We recommend that the CDC program develop procedures to calculate, summarize and record CWIP in its financial reporting system. We further recommend that a physical inventory be taken for fixed asset items once every two years.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Joe Hughes
Agency Contact Phone Number	(302) 223-1720
Corrective Action Plan	Establish a procedure where the Supply, Storage and Distribution Coordinator in the Public Health Preparedness Section is made aware of all equipment purchases with PHPS funds, and to ensure that each item required to be entered onto the Fixed Asset Manual is done so properly, under the PHPS.
Anticipated Completion Date	May 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Social Services

Reference Number:

06-DPH-15

Program:

**93.283 Centers for Disease Control and Prevention,
Investigations and Technical Assistance**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Reporting

Criteria

Common Rule A-102 2(4) states that “Federal agencies shall prescribe whether the reporting shall be on a cash or an accrual basis. If the Federal agency requires accrual information and the grantee’s accounting records are not normally kept on an accrual basis, the grantee shall not be required to convert its accounting system but shall develop such accrual information through an analysis of the documentation on hand.” This standard presumes that the financial reports will be derived from the accounting system and be reconcilable back to the accounting records.

Condition

The SEFA includes \$10,978,576 of federal expenditures incurred by CFDA number 93.283. The source of this number is the Delaware Financial Management System (DFMS). The largest program under CFDA is the Public Health Preparedness Section and the expenditures per the DFMS general ledger are \$7.52 million for the fiscal year ended June 30, 2006. The Expenditure reports submitted by the Public Health Preparedness Section only support \$6.56 million in expenses reported to the Federal Government.

Cause

There is no central oversight of all the components of the CDC grant reporting process to allow for somebody to have information and knowledge to reconcile the financial reports prepared by the program to the supporting general ledger in the aggregate to validate all expenditures are reported and recovered from the Federal Government.

Effect

The program cannot reconcile its reporting of federal dollars expended to the amounts captured on the DFMS General ledger for the year ended June 30, 2006 and may have under-reported their expenses to the Federal Government Grantor.

Recommendation

We recommend that the CDC program develop procedures to obtain and reconcile reports on all grants involving the CFDA number to the DFMS general ledger.

Questioned Costs

Questioned costs are not determinable.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Joe Hughes
Agency Contact Phone Number	(302) 223-1720
Corrective Action Plan	There are separate grants reported under the same CFDA number, which is likely the reason that the reports did not reconcile. Nor do the reporting periods match those of the time frame that was audited. The auditor admitted that it was going to be nearly impossible to reconcile these reports with the reporting periods being different than the auditing periods. The only way to ensure reconciliation in the future is to either change the audit period to reflect the reporting period, or to report every month in anticipation of this audit coming up again.
Anticipated Completion Date	March 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Social Services

Reference Number: 06-DSS-01
Program: 93.596 Child Care Cluster
Type of Finding: Noncompliance
Compliance Requirement(s): Eligibility

Criteria

The lead agency should ensure that eligible children are enrolled with a “child care provider that has a grant or contract for the provision of the service(45 CFR 98.15).

Under OMB budgetary guidance and Pub. L. 107-300, Federal agencies are required to review Federal awards and, as applicable, provide an estimate of improper payments. Improper payments mean:

- 1) Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient; and
- 2) Any payment for an ineligible service, any duplicate payment, any payment for services not received, and any payment that does not account for credit for applicable discounts.

Condition

For one of 40 providers selected for eligibility test work, a provider file, which typically include documentation of provider eligibility (i.e. signed certificates and contracts), was unable to be found by program staff. As such, we were not able to determine provider eligibility and if related payments made to the providers were allowable at the time of service.

Cause

Turnover in agency personnel. Inadequate management/maintenance of provider files.

Effect

If documentation used to support and determine provider eligibility is not maintained by program staff, there is a potential for ineligible providers to receive benefits.

Recommendation

We recommend that DSS review provider files to ensure that all eligible providers are properly supported by adequate levels of documentation.

Questioned Costs

Questioned costs are \$10,339, the total federal dollars received by the provider noted as an exception above.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Eulinda DiPietro
Agency Contact Phone Number	(302) 255-9643
Corrective Action Plan	DSS will review all active provider files to ensure that each eligible provider has a current contract or certificate on file.
Anticipated Completion Date	December 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Social Services

Reference Number: 06-DSS-02
Program: 10.551, Food Stamp Cluster
10.561
Type of Finding: Reportable Condition
Compliance Requirement(s): Special Tests and Provisions (ADP System for Food Stamps)

Criteria

State agencies are required to automate their Food Stamp Program operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning the Food Stamp Program (7 CFR sections 272.10 and 277.18). This includes: (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households which have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and (3) generating data necessary to meet Federal issuance and reconciliation reporting requirements.

Condition

We noted in the prior year that although the State appears to meet the requirements outlined in the Criteria section above, we noted that the DCISII system and user documentation related to the Food Stamps Cluster has not been updated for at least two thousand system changes that have implemented since system inception. We recommended that the system and user documentation for the DCIS II system be updated to reflect current operations and be consistently updated in a timely manner for future changes.

Cause

Although updates have been made to the system as needed, updating the related documentation has not been an agency priority. Per the Summary Status of Prior Year Findings: 'As a part of the initial DCISII implementation, Business Logic diagrams and Database design documents were created. These were created solely to support the implementation of DCISII. We never planned to maintain these as ongoing system documents and currently do not have the staff available to do so.'

Effect

Determination of whether the Food Stamp program ADP system requirements are being met is time consuming and inefficient.

Recommendation

We continue to recommend that the system and user documentation for the DCISII system be updated to reflect current operations and be updated in a timely manner for future changes.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Robin Russell
Agency Contact Phone Number	(302) 255-9756
Corrective Action Plan	<p>DCISII programmers continue to document changes to DCISII thru our Project Management Tracking System (PMTS) as well as within the actual programs that are changed.</p> <p>In PMTS, we write a Problem Change Request (PCR) to describe the needed change, as well as the resolution. We also can track the progress of a change - when the request is written, when it is programmed, tested, user tested and moved to production.</p> <p>In the DCISII programs, each PCR is documented at the beginning of the program, with the PCR #, the date of the change and a brief description of the change. This allows programmers to go back to PMTS for details if necessary.</p> <p>As a part of the initial DCISII implementation, Business Logic diagrams and Database design documents were created. These were created solely to support the implementation of DCISII. We never planned to maintain these as ongoing system documents and currently do not have the staff available to do so.</p>
Anticipated Completion Date	Not Applicable

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Social Services

Reference Number:

06-DSS-03

Program:

93.775, Medical Assistance Cluster
93.777,
93.778

Type of Finding:

Noncompliance

Compliance Requirement(s):

Eligibility

Criteria

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10). ...the State or its designee shall: (1) Require a written application signed under penalty of perjury and include in each applicant's case records facts to support the agency's decision on the application (42 USC 1320b-7(d); 42 CFR sections 435.907 and 435.913).

Condition

One out of the 25 Medicaid eligible files (10 from Medicaid Program sample and 15 from SCHIP Program sample) selected for eligibility test work was lost/missing. Per review of the State's eligibility system, we noted that the individual was eligible; however, we were not able to inspect a copy of the signed program application. We note that the missing file was reconstructed by DSS and the program application was resigned by the participant prior to the end of fieldwork.

Cause

Improper maintenance/storage of participant program files.

Effect

The State did not maintain the physical case file which includes the signed participant application noted in the criteria section above.

Recommendation

The State should implement policies and procedures to aid in the maintenance and storage of participant case files.

Questioned Costs

Questioned costs are not determinable.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Barbara Hanson
Agency Contact Phone Number	(302) 255-9580
Corrective Action Plan	The Deputy Director will include an article in the March 2007 Newsletter distributed to all DSS staff and advise them of the best practices for maintaining program eligibility documentation.
Anticipated Completion Date	March 31, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Delaware Technical and Community College

All Campuses

Reference Number: 06-DTC-01
Program: 84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.063
Type of Finding: Reportable Condition
Compliance Requirement(s): Eligibility

In the prior year, the State of Delaware Office of the Auditor of Accounts engaged a third party to perform a general controls review of the Banner Application, which supports the Student Financial Assistance Cluster at Delaware Technical and Community College.

Findings identified in the report include weaknesses related to the following:

- *Policies and procedures are not formalized (documented).* The College maintains general policies and procedures for the information technology department; however, detailed operating procedures are not documented. Documented procedures can help maintain continuity of operations in the event of turnover of key support personnel.
- *Backup and Recovery.* The College does not have a written plan for disaster recovery. Additionally, the College has not identified an alternate processing site for the Banner Application that can be used in the event that the datacenter at the Terry Campus should become unavailable.
- *User Account Administration.* Individuals had access to Banner who were no longer employed by the College, and some access levels that did not match current job responsibilities. Periodic access reviews are not performed to ensure that access to Banner remains appropriate over time.
- *High Access Levels.* There are an excessive number of Banner System Administrators. This function should be limited to the individuals who perform administration duties.
- *User Authentication Procedures.* Passwords are not required to change at the Banner or Unix level. There are no password complexity requirements.
- *Change Control.* The process for applying patches to Banner appears to be a sound process; however, the process for tracking Banner problems could be improved and the procedures for applying patches or upgrades to Unix have not been documented.

Of the six weaknesses noted on the prior page, three still exist as of June 30, 2006:

- Policies and procedures are not formalized (documented).
- Backup and Recovery.
- Change Control.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

The other three weaknesses have been addressed and resolved. Delaware Technical and Community College is currently in the process of implementing its Corrective Action plan.

Recommendation

We recommend that Delaware Technical and Community College continue to implement the recommendations as detailed in the above-referenced report.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Gerard M. McNesby, Vice President for Finance
Agency Contact Phone Number	(302)739-4057
Corrective Action Plan	<p>Per McBride Shopa & Company, P.A.'s Independent Accountant's Report completed September 6, 2006:</p> <p>Formal Policies & Procedures</p> <p>The formalization of policies and procedures is an ongoing process and therefore will continue indefinitely.</p> <p>Formal policies and procedures in the area of information technology are in the process of initial drafting. The College does maintain an acceptable use policy that all employees must acknowledge having reviewed as part of the process of becoming an employee of the College.</p> <p>Backup & Recovery</p> <p>Efforts are moving forward with implementing a number of actions steps that will result in Delaware Tech (DTCC) having a solid Disaster Recovery and Business Continuity Planning Program in place. Some of these planned/completed actions are: utilizing the Department of Technology Information's (DTI) Disaster Recovery Planning (DR) software system from Strol Systems with the initial effort being the development of a Business Impact Analysis of the critical areas with DTCC's operation; requested/continued funding to obtain new servers to replace aging servers and place existing servers at a Disaster Recovery Site; upgrades were made to the Network to provide redundant connections to the Internet; and plans are underway to use a Storage Access Network system which has been purchased and to backup each campus location at its reciprocal partner campus. These actions are understood and steps are being taken to formalize the Disaster Recovery and Business Continuity</p>

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

	<p>Long Term Plan by action and estimated completion date. Delaware Tech's Technology Department continues to review and enhance its DR plans as time and personnel permit.</p> <p>Change Control (Banner Patch Application Process)</p> <p>Testing disclosed that there was only one UNIX operating system patch applied since the last report in 2005 and the patch was handled properly. Since the audit testing confirmed that the process was being conducted properly, it was prioritized appropriately as a current area of limited concern. The College continues to document procedures and will continue to prioritize and develop policies as required.</p>
Anticipated Completion Date	To be determined.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Delaware Technical and Community College

All Campuses

Reference Number:

06-DTC-02

Program:

84.007, Student Financial Assistance Cluster

84.032,

84.033,

84.063

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Special Tests and Provisions (Disbursements To or On Behalf of Students)

Criteria

If an institution credits a student's account at the institution with Direct Loans, Federal Perkins Loans (FPL), or Federal Family Education Loans (FFEL), no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student, or parent of (1) the date and amount of the disbursement, and (2) the student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. (34 CFR section 668.165)

Condition

Wilmington Stanton Campus

Thirty of the 30 students tested with FFEL aid at the Wilmington/Stanton campus were not in compliance with the requirements that the notification sent state the date and amount of the disbursement.

Terry Campus

Ten of the 30 students tested with FFEL aid at the Terry campus were not in compliance with the requirements, as no notification was sent within 30 days of crediting the student account stating the date and amount of the disbursement or the student's, or parent's, right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned to the holder of that loan.

It was also noted that 30 of the 30 students tested were not in compliance with the requirements that the notification sent state the date and amount of the disbursement.

Owens Campus

Two of the 30 students tested with FFEL aid at the Owens campus were not in compliance with the requirements, as no notification was sent within 30 days of crediting the student account stating the date and amount of the disbursement or the student's, or parent's, right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned to the holder of that loan.

It was also noted that 30 of the 30 students tested were not in compliance with the requirements that the notification sent state the date and amount of the disbursement.

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Year ended June 30, 2006

Cause

Management Oversight. There is a lack of controls over the FFEL disbursement notification process for each of the three Delaware Technical and Community College campuses.

Effect

The student or parent was either not notified of the date and amount of the FFEL disbursement or was not sent any notification which stated the date and amount of the disbursement, and the student's, or parent's, right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan within 30 days of the three Delaware Technical and Community College campuses crediting the student's account.

Recommendation

We recommend that the three Delaware Technical and Community College campuses enhance the controls over FFEL disbursement notification to ensure compliance with the above notification requirements.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Financial Aid Officers: Debra McCain, Veronica Oney, & Jennifer Grunden
Agency Contact Phone Number	(302) 571-5380, (302) 855-1667, & (302) 857-1042
Corrective Action Plan	<p>Current procedures have been improved to comply with the recommendation by KPMG to enhance the controls over FFEL and PLUS notifications to students or parents to include disbursement dates and amount notifications within 30 days of crediting the student's account.</p> <p>The enhancement includes the current ability for the Owens, Terry, and Stanton/Wilmington Financial Aid Offices of Delaware Technical and Community College to create and print Loan Disbursement Letters in the Banner system. Once loans have been disbursed to the student account, a population selection is created within Banner to capture each FFEL or PLUS loan disbursed for a selected date range. Loan Disbursement Letters are then printed on College letterhead, with the actual disbursement date and the actual amount of the disbursement for each student. The letter also includes, a statement concerning the right of the student or parent to cancel all or a portion of the loan and then have the loan proceeds returned to the holder of the loan. A Loan Disbursement Letter will</p>

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Schedule of Findings and Questioned Costs

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	be sent to all FFEL or PLUS loan recipients within 30 days of crediting the student's account.
Anticipated Completion Date	College-wide: Effective November 2006 – implemented immediately manually during audit (Fall Semester 2006-2007 Academic Year) Effective March 2007 – implemented automated Banner system tracking and report/letter (Spring 2007 Semester)

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Section 3: Federal Awards Findings and Questioned Costs

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Delaware Technical and Community College

Owens Campus

Reference Number:

06-DTC-03

Program:

**84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.063**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Special Tests and Provisions (Return of Title IV Funds)

Criteria

Any amount of a post-withdrawal disbursement in excess of the amount that may be credited to the account must be provided to the student. Institutions must offer, by written notification, post-withdrawal disbursements not credited to a student's account to the student or borrower within 30 days of the date of the institution's determination that the student withdrew. Based on the student's or borrower's response or lack of response, the institution may or may not make the post-withdrawal disbursement.

Condition

For 2 of the 35 students tested the Owens Campus did not send notification to the respective student or borrower offering the portion of the post-withdrawal disbursement in excess of the amount that could have been credited to the student's account. However, the Owens campus did disburse the excess funds to the respective students or borrowers by check.

Cause

Due to the lack of controls over the offering of the excessive portion of the post-withdrawal disbursements, the Owens Campus is not in compliance with the requirements stated above.

Effect

The student or parent was not sent notification regarding the excessive portion of the post-withdrawal disbursement by the Owens Campus within 30 days of the institution's determination that the student had withdrawn. However, the Owens campus did disburse the excess funds to the respective students or borrowers by check.

Recommendation

We recommend that the Owens campus enhance the controls over the offering of the excessive portion of the post-withdrawal disbursements to the respective student within 30 days of the institution's determination that the student had withdrawn.

Questioned Costs

There are no questioned costs associated with this finding.

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Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Veronica Oney, Financial Aid Officer
Agency Contact Phone Number	(302) 855-1667
Corrective Action Plan	In response to audit finding 06-DTC-03, written notification is currently being sent to all qualifying students within the 30-day window offering the excessive portion of the post-withdrawal disbursements. The process was instituted immediately following the Owens Campus audit.
Anticipated Completion Date	Effective November 2006 (Fall Semester 2006-2007 Academic Year)

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Department of Technology and Information

Reference Number:	06-DTI-01	
Program:	10.551, Food Stamp Cluster	Eligibility
	10.561	
	10.557 Supplemental Nutrition Program for Women, Infants, and Children	Eligibility
	17.225 Unemployment Insurance	Eligibility
	17.258, Workforce Investment Act	Eligibility
	17.260	
	20.500, Federal Transit Cluster	Reporting
	20.507	
	20.205 Highway Planning and Construction Cluster	Reporting
	93.558 Temporary Assistance for Needy Families	Eligibility
	93.563 Child Support Enforcement	Eligibility
	93.596 Child Care Cluster	Eligibility
	93.767 State Children's Health Insurance Program	Eligibility
	93.775, Medical Assistance Cluster	Eligibility
	93.777,	
	93,778	
Type of Finding:	Reportable Condition	
Compliance Requirement(s):	Eligibility, Reporting	

Criteria

The State of Delaware Office of the Auditor of Accounts issued in 2004 a report which contained reportable conditions related to the information technology general controls surrounding the State's eligibility determination systems housed in the Biggs Data Center, including the DCIS II System (Medicaid, TANF, Food Stamps), the CCMIS System (Child Care), the WIC System (WIC Program), and the DACSES system (Child Support Enforcement). Additionally, the report contains reportable conditions related to the information technology general controls surrounding the State's Unemployment system, and Department of Transportation systems, which are housed in the William Penn Data Center. The Biggs Data Center and William Penn Data Center are maintained by the Department of Technology and Information (DTI).

Condition

Findings identified in the report, entitled State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, Biggs and William Penn Data Center General Controls Follow-Up ,include weaknesses related to the following for the Biggs data center:

- Data security and classification
- User account management

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- Data file access and security administration
- File transmissions
- Business resumption
- Physical security and environmental controls
- Program change control
- Tape back-up

Additionally, the following weaknesses were identified for the William Penn data center:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and back up procedures

Based on interviews with DTI personnel, weaknesses in the following areas have been addressed in the current year:

Biggs

- File transmissions
- Program change control

William Penn

- Operating system and application development
- Data file access and security administration
- Physical security
- Disaster recovery planning and back up procedures

However, the implementation of the corrective action plan asserted by DTI to resolve the above issues was not audited.

Recommendation

We continue to recommend that the Department of Technology and Information implement the recommendations as detailed in the above-referenced report.

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As per the Summary Status of Prior Year findings, remediation efforts are ongoing but have not yet been completed as of June 30, 2006.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Tom Jarret, Secretary – DTI
Agency Contact Phone Number	(302) 739-9628
Corrective Action Plan	See detailed response to audit report noted above.
Anticipated Completion Date	Ongoing, see detailed response to audit report.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Education

Reference Number:

06-ED-01

Program:

84.287 21st Century Community Learning Centers

Type of Finding:

Material Noncompliance, Material Weakness

Compliance Requirement(s):

Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

The State Department of Education (DOE) did not follow its internal policies and procedures established to monitor the activities of its subrecipients under this program, as evidenced by the following:

For one of the program's five subrecipients, there was no evidence that the required site visits had been performed by DOE.

For the program's five subrecipients, DOE had not received any of the required annual expenditure reports or outcome-based data from the subrecipients.

DOE could not provide evidence that they have monitored and received the A-133 single audit reports from those subrecipients expending more than \$500,000 in federal awards.

The total amount of expenditures passed through to subrecipients was \$3,014,112 for the year ended June 30, 2006. Total expenditures for the program as a whole were \$5,048,381.

Cause

Because of turnover in the personnel responsible for this federal program, there was no evidence that DOE was following its own internal policies and procedures related to monitoring the subrecipients of federal awards.

Effect

DOE did not fulfill its pass-through entity responsibilities related to the monitoring of subrecipient activities, including required reporting and follow-up.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

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Recommendation

We recommend that DOE reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that the monitoring visits are documented and reviewed by a supervising official. We further recommend that DOE ensures that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

Questioned Costs

Questioned costs are \$3,014,112, the amount passed through to entities that were not monitored.

Views of Responsible Officials

Agency Contact Name	Theresa Vendrzyk Kough
Agency Contact Phone Number	(302) 739-4269
Corrective Action Plan	21 st CCLC sites are visited three times per year. The 21 st CCLC program manager meets bi-monthly with the contractor conducting the site visits. A letter is sent to the 21 st CCLC grantee listing commendations and recommendations. The grantee is given a date to respond to any findings. Recommendations and required follow-up are entered into an EXCEL spreadsheet, which is maintained by the 21 st CCLC administrative assistant. The 21 st CCLC program manager monitors follow-up and recommendations weekly. Grantees not making required changes to program risk withholding of funds.
Anticipated Completion Date	September 2006

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Year ended June 30, 2006

Department of Education

Reference Number:

06-ED-02

Program:

84.010 Title I Grants to Local Educational Agencies

84.048 Vocational Education

84.027, Special Education Cluster

84.173

Type of Finding:

Reportable Condition

Compliance Requirement(s):

Reporting

Criteria

The following reports are required by the federal Department of Education:

State Per Pupil Expenditure (SPPE) Data (OMB No. 1850-0067) – Each year, a State Education Agency must submit its average State per pupil expenditure (SPPE) data to the National Center for Education Statistics. These SPPE data are used by the federal Department of Education to make allocations under several Elementary and Secondary Education Act of 1965 (ESEA) programs, including Title I, Part A.

Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (OMB No. 1820-0043) – Each State educational agency is required to report to the Secretary an unduplicated count of children with disabilities receiving special education and related services.

Accountability Report (Form IV) Consolidated Annual Performance, Accountability, and Financial Status Report (OMB No. 1830-0503) – Each year a grantee must file an accountability report containing data to be used in determining whether it met its adjusted performance levels for each of its core indicators of performance: (1) attainment of academic and vocational skills; (2) attainment of diploma or credential; (3) placement and retention; and (4) participation in, preparation for, and completion of programs leading to non-traditional occupations and any State indicators of performance. [Section 113(b)(2)(A) of Perkins III (20 USC 2323(b)(2)(A)).]

Condition

The State Department of Education (DOE) provides centralized statewide data management for public education.

The State's Office of the Auditor of Accounts originally performed procedures relating to the general and application controls surrounding the eSchoolPlus computer system, which is used for student accounting at the School District and Department of Education levels, for the period February 19, 2004 through March 31, 2004 (Department of Education, General Information System Controls for the eSchoolPlus Processing Environment). This report, which identified 21 recommendations, which was followed up by a report, dated April 26, 2005 (Department of Education, General Information System Controls for the eSchoolPlus Processing Environment Follow-up). The follow-up report noted that five of the 21 findings had been implemented, six had been partially implemented, and ten had not been addressed by DOE.

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Year ended June 30, 2006

There was an additional follow-up report dated September 22, 2005, which noted that three of the 21 findings had been partially implemented by DOE. Recommendations were made for DOE to fully implement their corrective action plans for three remaining deficiencies in general and application controls surrounding the eSchoolPlus system.

The remaining deficiencies related to:

- Security administration
- Data integrity

Cause

ESchoolPlus has been recently implemented by the State.

Effect

Weaknesses in general and application controls may result in future problems with data integrity.

Recommendation

We recommend that DOE implement corrective actions as contemplated in their response to the Office of the Auditor of Accounts' reports to reasonably ensure integrity of the eSchoolPlus system.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Robert E. Czeizinger
Agency Contact Phone Number	(302) 735-4140
Corrective Action Plan	<p>The Delaware Department of Education implemented two corrective actions to address the deficiencies relayed above.</p> <p>The Department worked on several aspects of Security Administration by implementing a tracking system for determining who was doing what on the eSchoolPlus databases. This is implemented as part of eSchoolPlus and allows for the creation of an audit trail for each School District. We created a new DDOE user account creation policy and form. This policy is used to create new DDOE accounts and for backup of the creation of those accounts. Additionally, we now routinely remove inactive accounts based on our Inactive Accounts Policy.</p> <p>We addressed the Data Integrity deficiency by creating a disaster recovery plan and by implementing a uniform database backup</p>

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	procedure. Although the Disaster Recovery Plan and Backup procedure has existed more than one year we had not fully discussed either with the District Pupil Accounting Coordinators. Both of these issues will be discussed in full detail at the next Pupil Accounting Coordinators meeting scheduled for March 27, 2007.
Anticipated Completion Date	Ongoing. – The Security Administration deficiency has been addressed. The Data Integrity deficiency has been completed with the exception of fully briefing the District Pupil Accounting Coordinators of our policy and procedures.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Education

Reference Number:

06-ED-03

Program:

**84.048 Vocational Education
84.027, Special Education Cluster
84.173**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Condition

Vocational Education

Of the 30 payroll expenditures selected for test work, we noted that 7 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications.

Special Education

Of the 30 payroll expenditures selected for test work, we noted that 8 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications. We also noted that DOE could not provide a signed time and effort certification for one of the employees selected.

Cause

DOE has not yet developed procedures to make adjustments (quarterly or annually) to payroll costs charged to federal awards in order to reflect the activity actually performed by their employees. DOE does have procedures in place that require employees to complete periodic time and effort certifications as required by OMB A-87; however, the costs charged to federal awards are ultimately based on budgeted amounts programmed through the State-wide payroll system.

Effect

Salaries may be inappropriately allocated to the Vocational Education and Special Education programs.

Recommendation

We recommend that DOE develop procedures to periodically adjust payroll costs charged to federal awards based on the actual activity performed, as supported by the time and effort certifications. We also recommend that DOE ensure that all employees being paid with federal awards complete and sign time and effort certifications to support the payroll costs.

Questioned Costs

Vocational Education

Of the 30 payroll expenditures selected for test work, we noted that 6 employees had payroll costs charged that were less than the actual effort supported by the time and effort certifications, for a total difference (undercharge) of \$(235.35). We also noted one employee that had payroll costs charged that were more than the actual activity reported, for a total difference (overcharge) of \$169.81. There are no net questioned costs.

Special Education

Of the 30 payroll expenditures selected for test work, we noted that 5 employees had payroll costs charged that were less than the actual effort supported by the time and effort certifications, for a total difference (undercharge) of \$(634.97). We also noted 3 employees that had payroll costs charged that were more than the actual activity reported, for a total difference (overcharge) of \$697.20. Net questioned costs are \$62.23.

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The total payroll costs for the employee without the time and effort certifications was \$4,114.25 for the pay periods selected.

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	The Delaware Department of Education will discuss this matter with the Office of Management and Budget to try to bring resolution to this matter.
Anticipated Completion Date	June 30, 2007

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Year ended June 30, 2006

Department of Education

Reference Number:

06-ED-04

Program:

84.010 Title I Grants to Local Educational Agencies

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Reporting

Criteria

The following report is required by the federal Department of Education:

State Per Pupil Expenditure (SPPE) Data (OMB No. 1850-0067) – Each year, an SEA must submit its average State per pupil expenditure (SPPE) data to the National Center for Education Statistics. These SPPE data are used by ED to make allocations under several ESEA programs, including Title I, Part A. SPPE data are reported on the National Public Education Finance Survey. SPPE data comprise the State's annual current expenditures for free public education, less certain designated exclusions, divided by the State's average daily attendance.

Condition

In testing the 2005 National Public Education Financial Survey, we noted the following exceptions:

- 3 of the 8 School Districts selected for test work had amounts reported that did not agree to the Delaware Financial Management System (DFMS). We compared all amounts for these 3 School Districts to DFMS, noting this resulted in a net overstatement of available funds of \$269,509.
- The Title I exclusions on the National Public Education Financial Survey (Section 7 - c & d) did not properly reconcile to DFMS. This resulted in an understatement of exclusions of \$287,018 (overstatement of total expenditures).
- The equipment value of \$941,529 was double counted on the 2005 National Public Education Financial Survey, as it was included in Section 6 –VI (Facilities Acquisition & Construction Services) as part of the calculation for lines #1 and #2 as well as separately disclosed on line #3.

Cause

The process used by the Department to gather all of the School District, Charter Schools and DOE data in a format that can reconcile to the specified criteria in the SPPE report is complex.

Effect

The SPPE report data does not properly reconcile to the Department's accounting system (DFMS).

Recommendation

We recommend that the Department put procedures in place for the data reported in the SPPE to be reviewed by an individual that is independent of preparing the report. In addition, we recommend that the Department submit an amended SPPE Form to the U.S. Department of Education (DOE) to correct the error.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Questioned Costs

The net overstatement of available funds of \$269,509 flowed through to the National Public Education Financial Survey in error.

Section 7 of the National Public Education Financial Survey has understated exclusions of \$287,018, which subsequently results in an overstatement of the Net Current Expenditures in the same amount.

Section 6-VI of the National Public Education Financial Survey is overstated by \$941,529.

Views of Responsible Officials

Agency Contact Name	Jerry Gallagher
Agency Contact Phone Number	(302) 735-4040
Corrective Action Plan	When the 2005 National Public Education Financial Survey was submitted, it was noted that the report would require revisions due in part to a programming error. The revisions have recently been completed and the department will be contacting the National Center for Educational Statistics concerning the process for submitting its revisions. For 2006, a staff member has been delegated the responsibility for preparing the reports. The final reports will then be reviewed by the Director of Financial Management and then approved/submitted by the Associate Secretary for Finance and Administrative Services.
Anticipated Completion Date	Completed – March 2007

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Year ended June 30, 2006

Department of Education

Reference Number:

06-ED-05

Program:

**84.027, Special Education
84.173**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Level of Effort

Criteria

A State may not, on either a total or per capita basis, reduce the amount of State financial support for special education and related services for children with disabilities (or State financial support otherwise made available because of the excess costs of educating those children) below the amount of State financial support provided for the preceding fiscal year. The Secretary reduces the allocation of funds under 20 USC 1411 for any fiscal year following the fiscal year in which the State fails to comply with this requirement by the amount by which the State failed to meet the requirement.

If, for any fiscal year, a State fails to meet the State-level maintenance of effort requirement (or is granted a waiver from this requirement), the financial support required of the State in future years for maintenance of effort must be the amount that would have been required in the absence of that failure (or waiver) and not the reduced level of the State's support (20 USC 1412(a)(19); 34 CFR section 300.154).

For any fiscal year for which the Federal allocation received by a State exceeds the amount received for the previous fiscal year and if the State pays or reimburses all LEAs within the State from State revenue 100% of the non-federal share of the costs of special education and related services, the SEA may reduce its level of expenditure from State sources by not more than 50% of the amount of such excess (20 USC 1413(j)(1)).

Condition

DOE could not provide a supporting calculation to show compliance with the State-level maintenance of effort requirement for the Special Education program. We also could not obtain documentation that DOE has any process or controls in place to monitor the level of State financial support given to the federal program as compared to the preceding fiscal year to ensure compliance with the requirement.

Cause

This is a new requirement for the Special Education program, as such, DOE did not maintain supporting documentation to demonstrate compliance with the maintenance of effort requirement or that there are controls in place to mitigate the risk of non-compliance.

Effect

DOE could potentially have not met the State-level maintenance of effort requirement for the Special Education program.

Recommendation

We recommend DOE develop policies and procedures to track the State financial support given to the Special Education program in order to monitor their compliance with the Level of Effort requirements.

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Section 3: Federal Awards Findings and Questioned Costs

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Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Tammy Korosec
Agency Contact Phone Number	(302) 735-4045
Corrective Action Plan	Although we did not have a separate report, we did maintain and increase our level of effort for the last four years as required. Documentation has been provided to the Auditors with this corrective action plan. In the future, the report will be updated yearly and maintained on-site for review during the audit process.
Anticipated Completion Date	Completed – March 2007

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Schedule of Findings and Questioned Costs

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Year ended June 30, 2006

Department of Education

Red Clay School District

Reference Number:

06-ED-06

Program:

84.287 21st Century Community Learning Centers

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Allowable Costs (Effort Reporting)

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee. (OMB Circular A-87, Attachment B.8.h.4)

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. (OMB Circular A-87, Attachment B.8.h.5)

Substitute systems for allocating salaries and wages to federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

Substitute systems which use sampling methods must meet acceptable statistical sampling standards, including:

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results...
- The entire time period being sampled.
- The results must be statistically valid and applied to the period being sampled. (OMB Circular A-87, Attachment B.8.h.6)

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Condition

We noted, based on a sample of 22 payroll charges, that Red Clay School District did not adequately maintain the personnel activity reports (effort reports) as required for 16 employees who worked solely on a single federal program by not obtaining the signature of the employees.

Cause

The School District did not maintain effort reporting for employees that were fully funded for the program listed above. It appears that there was a misinterpretation of the federal guidelines as to effort reporting.

Effect

Salary and related costs allocated to the federal program are not appropriately supported.

Recommendation

We recommend that the above School District maintain personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

Questioned Costs

Total salaries and benefit payments at Red Clay School District for the 21st Century CLC program were \$411,676.

Views of Responsible Officials

Agency Contact Name	Brett Taylor, Chief Financial Officer
Agency Contact Phone Number	(302) 683-7767
Corrective Action Plan	The District is currently maintaining time and effort sheets for the federal programs and will monitor the program requirements to ensure compliance.
Anticipated Completion Date	Completed – March 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Education

Indian River School District, Red Clay School District

Reference Number: 06-ED-07

Program: 84.287 21st Century Community Learning Center

Type of Finding: Noncompliance, Reportable Condition

Compliance Requirement(s): Subrecipient Monitoring

Criteria

A pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133...and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. (OMB Circular A-133 Compliance Supplement, Part 3, Section M)

Condition

For the four subrecipients included in our sample, we noted that the Red Clay and Indian River School Districts did not have internal policies and procedures established to monitor the activities of its subrecipients under the 21st Century Community Learning Center program.

For the Districts' four subrecipients, there was no evidence that any site visits had been performed, nor could the Districts provide evidence that they have monitored and received the A-133 single audit reports from those subrecipients expending more than \$500,000 in federal awards.

The total amount of expenditures passed through to these subrecipients was \$219,027 for the year ended June 30, 2006.

Cause

The Districts noted above had not established its own internal policies and procedures related to monitoring the subrecipients of this federal program. It appears that there was a misinterpretation of the federal monitoring requirements.

Effect

The Districts noted above did not fulfill its pass-through entity responsibilities related to the monitoring of subrecipient activities, including required reporting and follow-up.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Recommendation

We recommend that the Districts noted above establish policies and procedures to ensure that 21st Century subrecipient activities are monitored on a timely basis, that a formal site visit process be put in place (i.e. standardized form to complete on site, standardized summary of findings and recommendation letter, etc). We also recommend that systematic procedures are put in place to include management review of site visit reports and to monitor the responses to corrective actions from the subrecipients.

We further recommend that the Districts noted above ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis. We also recommend that the Districts put procedures in place to monitor and review all required A-133 audits.

Questioned Costs

Questioned costs are \$219,027, the amount passed through to entities that were not monitored.

Views of Responsible Officials

Agency Contact Name	Indian River: Patrick Miller Red Clay School District: Brett Taylor
Agency Contact Phone Number	Indian River: (302) 436-1000 Red Clay School District: (302) 683-6676
Corrective Action Plan	<i>Indian River:</i> Written procedures and documentation should be established by the Indian River School District (North Georgetown Elementary School) that will develop, implement and monitor a methodology for the formal documentation and evaluation of the objectives and activities performed at the sub-recipient sites for the Boys & Girls Club of Delaware (Georgetown Chapter); First State Community Action; Georgetown Elementary School; Richard Allen School; La Esperanza, Inc.; as well as North Georgetown Elementary School in accordance to the grant objectives and proposal. Written policies and guidelines should be developed and maintained in accordance with the stipulations for receiving and monitoring A-133 financial audits of the sub-recipients which include; but are not limited to, Boys & Girls Club of Delaware (Georgetown Chapter); First State Community Action; Georgetown Elementary School; Richard Allen School; La Esperanza, Inc.; as well as North Georgetown Elementary School in accordance to the grant objectives and proposal.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

	<i>Red Clay School District:</i> The District concurs with the finding and will monitor the subrecipient activities and perform site visits to determine corrective action. Lastly, financial reporting will be requested from the subrecipients on an annual basis.
Anticipated Completion Date	Ongoing.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Education

Christina School District

Reference Number:

06-ED-08

Program:

84.010 Title I Grants to Local Educational Agencies

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Procurement

Criteria

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations (OMB Circular A-102).

Condition

We noted that for one of the nine vendors selected for test work, the District did not follow the proper procurement process. The District could not provide supporting documentation that the vendor was selected through a competitive bidding process or that an approved exception to the process had been made. Also, the District could not provide evidence of an executed contract between the District and the vendor for the services provided during the audit period.

Cause

Due to turnover in the District's procurement department, proper documentation related to this award of federal funds was not maintained.

Effect

Federal funds were awarded to a vendor without going through the proper procurement process.

Recommendation

We recommend that the District ensure that all contracts awarded with federal funds are awarded on a competitive basis in accordance with the State's procurement policies and procedures. In cases where competition is limited, justification and approval should be documented in the contract file. We also recommend that a copy of the executed contract between the District and the vendor be maintained.

Questioned Costs

Total payments made to this vendor with federal funds were \$261,450 for the year ended June 30, 2006.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Patrick O'Rourke
Agency Contact Phone Number	(302) 552-2614
Corrective Action Plan	The Christina School District currently awards all contracts whether federal or non-federal funded in accordance with State of Delaware Code Title 29, Chapter 69. Additionally, for contracts awarded with federal funding the provisions of the Davis – Bacon prevailing wage act are met. Contracts executed between the District and vendors will be maintained for a sufficient length of time to ensure proper audit and documentation compliance.
Anticipated Completion Date	Immediately

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Education

Christina School District

Reference Number:**06-ED-09****Program:****84.010 Title I Grants to Local Educational Agencies****Type of Finding:****Noncompliance****Compliance Requirement(s):****Special Tests and Provisions (Schoolwide Programs)**

Criteria

A School participating under Title I, Part A may, in consultation with its LEA, use its Title I, Part A funds, along with funds provided from the above-identified programs and other Federal, State, and local education funds, to upgrade the School's entire educational program in a Schoolwide program. At least 40% of the children enrolled in the School or residing in the School attendance area for the initial year of the Schoolwide program must be from low-income families. The LEA is required to maintain records to demonstrate compliance with this requirement.

- a. To operate a Schoolwide program, a School must include the following three core elements:
 - (1) Comprehensive needs assessment of the entire School (34 CFR section 200.26(a)).
 - (2) Comprehensive plan based on data from the needs assessment (34 CFR section 200.26(b)).
 - (3) Annual evaluation of, and results achieved by, the Schoolwide program and revision of the Schoolwide plan based on that evaluation (34 CFR section 200.26(c)).
- b. A Schoolwide plan also must include the following components:
 - (1) Schoolwide reform strategies (34 CFR section 200.28(a)).
 - (2) Instruction by highly qualified professional staff (34 CFR section 200.28(b)).
 - (3) Strategies to increase parental involvement (34 CFR section 200.28(c)).
 - (4) Additional support to students experiencing difficulty (34 CFR section 200.28(d)).
 - (5) Transition plans for assisting preschool children in the successful transition to the Schoolwide program (34 CFR section 200.28(e)).

Condition

We noted that the third and fifth components listed in b. above were not included in one of the four Schoolwide plans we reviewed. The District had fourteen Schoolwide programs during the year ended June 30, 2006.

Cause

The District did not ensure that each required component was present in each Schoolwide plan.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Effect

One of the Schoolwide plans that we reviewed was not in compliance with federal regulations.

Recommendation

We recommend that the District develop procedures to ensure each Schoolwide plan incorporates all necessary components listed in the federal regulations.

Questioned Costs

There are no questioned costs associated with this finding.

Views of Responsible Officials

Agency Contact Name	Patrick O'Rourke
Agency Contact Phone Number	(302) 552-2614
Corrective Action Plan	Procedures that govern the School Improvement Planning Process were developed and approved 6/26/06 that include a new template and instructions for Schools to address the issues above. Revisions to these procedures will be made based on lessons learned from the planning process this year. The process to develop the revisions will include a review to determine whether more specific guidance in the procedure or template is necessary to assure the areas noted above are more clearly defined in the plans.
Anticipated Completion Date	September 1, 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Education

Christina School District

Reference Number:

06-ED-10

Program:

**10.553, Child Nutrition Cluster
10.555,
10.556,
10.559**

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Eligibility

Criteria

General Rule: Annual Certification – A child’s eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. SFAs, institutions, and sponsors determine eligibility by comparing the data reported by the child’s household to published income eligibility guidelines. In addition to publishing income eligibility information in the Federal Register, FNS makes it available on the FNS web site (<http://www.fns.usda.gov/cnd/>) under “Child Nutrition Programs, Income Eligibility Guidelines.”

Annual eligibility determinations may also be based on the child’s household receiving benefits under the Food Stamp Program, Food Distribution Program on Indian Reservations (FDPIR), the Head Start Program (CFDA 93.600) (42 USC 1758(b)(6)(A)), or, under most circumstances, the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558) (42 USC 1758(b)). A household may furnish documentation of its participation in one of these programs; or the School, institution, or sponsor may obtain the information directly from the State or local agency that administers these programs (7 CFR section 245.6(b)).

Condition

We noted that 15 of 30 students selected for eligibility test work were flagged by the District in the eSchoolPlus and PCS systems as being directly certified (DCRT), as students who were determined by DHSS to be eligible for the Food Stamps and/or TANF programs. We noted for 2 of the 15 DCRT students, that the DHSS information system (DCIS II) did not contain record that these students were eligible for Food Stamps or TANF programs for the year ended June 30, 2006.

We also noted that the Delaware Department of Education (DOE) performed an internal Coordinated Review Effort (CRE) to monitor the District’s administration of the School Nutrition program. The monitoring report issued by DOE on 2/9/07 identified a finding and recommendation related to the maintenance of the Direct Certification List used by the District’s technology department to establish DCRT students in the PCS system.

Cause

There were inconsistencies in the student eligibility data between the DCIS II system and the District’s eSchoolPlus and PCS systems. Variables within the file generated from the PCS system, which determines the status of the child, resulted in students with Medicaid to be inappropriately included in the Direct Certification List during the 2005-2006 School year.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Effect

Two students were incorrectly flagged as being directly certified as eligible for free and reduced price meals.

Recommendation

We recommend that the District put procedures in place to ensure the data obtained from the DHSS information system remains consistent with the data maintained in the eSchoolPlus and PCS systems so that only Food Stamp and TANF eligible students are considered DCRT. We also recommend that the District implement the recommendation as detailed in the above-referenced monitoring report.

Questioned Costs

Total questioned costs are \$366.10. This represents the cost of the meals served to the 2 students during the 2006 fiscal year. This was calculated by multiplying the breakfast and lunch rates for the elementary (\$0.60 and \$1.15) and high School (\$1.40 and \$0.75) level by the number of meals each child had according to their Account Statement Report from the PCS system.

Views of Responsible Officials

Agency Contact Name	Tony Williams
Agency Contact Phone Number	(302) 454-2284
Corrective Action Plan	<ol style="list-style-type: none">1) The District will upload the Direct Certification List from Delaware Department of Education Single Sign On (DDOESSO) site without massaging/manipulating the Direct Certification List. The list is to be accessed and printed on a monthly basis.2) The School Nutrition Program (SNP) Administrative staff is to manually cross reference the student names on the Direct Certification List with the student roster ensuring that all students on the Direct Certification List are immediately eligible for free meals. This process will help to prevent the loss of student names that may be dropped when uploading the list from the State Agency (Delaware Department of Education) in the School Nutrition Program's PCS Revenue Software System.3) The Direct Certification process works better when the SNP administrative staff person has continual direct access to the password for the Direct Certification List because: a) they work directly with and manage the meal benefit forms; b) complete the eligibility and determination documentation processes; c) complete the verification process of the student accounts.
Anticipated Completion Date	February 1, 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Education

Christina School District

Reference Number:

06-ED-11

Program:

84.010 Title I Grants to Local Educational Agencies
84.027, Special Education Cluster
84.173
84.048 Vocational Education
84.367 Improving Teacher Quality State Grants
Material Noncompliance, Material Weakness
Allowable Costs (Effort Reporting)

Type of Finding:

Compliance Requirement(s):

Criteria

OMB Circular A-87, Attachment B.8.h.3 requires that where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

OMB Circular A-87, Attachment B.8.h.4 requires that where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Per the A-133 Compliance Supplement (3/06), Part 4, Department of Education, 84.367 *Improving Teacher Quality State Grants*, Title II, Part A, an employee who works solely on activities supported with Federal, state, or local funds consolidated in a Schoolwide program may meet the semi-annual certification requirement under OMB Circular A-87, Attachment B, paragraph 8.h.(3), either by submitting semi-annual certifications for the consolidated activities or through time and attendance certifications accomplished under an LEA's normal standards for payroll documentation.

Condition

The District could not provide documentation supporting the funding of salaries with federal funds. Semi-annual certifications were not provided for employees who spent 100% of their time in one federal program. Time and effort reporting was not provided for employees who worked on multiple activities.

In addition, the District uses a replacement methodology to charge salaries to the Title II, Part A, *Improving Teacher Quality State Grants* federal program. Based on discussions with the District, a replacement is a federally funded employee (typically a lower paid employee) who is not the employee actually working in the Title II program.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Cause

The District did not maintain effort reporting for employees that were partially funded for the federal programs and did not maintain semi-annual certifications for employees 100% charged to federal programs.

Effect

Salary costs through April 30, 2006 charged to federal programs are not appropriately supported by semi-annual certifications or time and effort reports.

Recommendation

We recommend that the District maintain personnel activity reports (effort reports) for all employees who work on multiple programs and obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

Questioned Costs

Total salary costs through April 30, 2006 that were federally funded amounted to \$6,348,579. \$1,978,709 is associated with employees who are solely supported by federal funding and \$4,369,870 is for employees who are funded partially through federal funds.

Total federal 'replacement' payroll that AOA is specifically aware of amounts to \$395,973.

Views of Responsible Officials

Agency Contact Name	Patrick O'Rourke
Agency Contact Phone Number	(302) 552-2614
Corrective Action Plan	<p>The Christina School District is currently maintaining time and effort reporting for personnel supporting federal grants. Semi-annual certifications have been prepared for personnel supporting one specific federal program 100% of the time. These reports will be reviewed by the CFO and Assistant Superintendent of Human Resources on a semi-annual basis.</p> <p>Additionally, the District is in the midst of implementing a more detailed template for those individuals that are "split-coded" across several federal programs. This template only applies to a short list of individuals in the District at present. This template has been developed by DOE and vetted with the State's Independent Auditor responsible for the Single Audit. This process requires daily timesheet entries and quarterly true ups with what has been recorded versus what is actually in the payroll system. On a monthly basis the list of individuals who are "split-coded" will be evaluated for adequate time and effort reports. This monthly review will be performed by the Payroll Supervisor. The list of individuals who are</p>

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Schedule of Findings and Questioned Costs

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	<p>“split-coded” will be readily identifiable on a bi-weekly basis from the biweekly payroll reports that will be generated from the payroll office. On a quarterly basis, the time and effort reports will be compared to the PHRST system data for split – coded individuals and corrections will be made as appropriate by the Business Office and the Payroll Office.</p> <p>The District will continue to look for teacher schedules or other possible substantiation for Federal program support during the audit period that might mitigate this finding due to lack of proper documentation.</p>
Anticipated Completion Date	Ongoing.

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Office of Management and Budget

Reference Number:

06-OMB-01

Program:

20.205 Highway Planning and Construction Cluster

Type of Finding:

Noncompliance, Reportable Condition

Compliance Requirement(s):

Cash Management

Criteria

Under the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act of 1992, codified at 31 USC 6501 and 31 USC 6503, the State of Delaware has entered into a Cash Management Improvement Act Agreement between the State of Delaware and the U.S. Secretary of the Treasury.

All CFDA numbers with expenditures of greater than \$6.75 million are considered Subpart A programs under the jurisdiction of the Treasury-State agreement (note that there is no clustering for purposes of the Treasury-State agreement). All other CFDA numbers (and programs without CFDA numbers) are considered Subpart B programs. For Subpart B programs, "cash advances to the State shall be limited to the minimum amounts needed and shall be timed to be in accord only with actual, immediate cash requirements of the State in carrying out a program or project. The timing and amount of the cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs" (31 CFR section 205.7 and 205.20). The State of Delaware as a practical matter generally applies the same funding techniques required for its subpart A programs to its subpart B programs.

The predominant funding technique for the State is the Composite Clearance method, which is defined in the agreement as follows:

"The State shall request funds such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements, in accordance with the clearance pattern specified...The request shall be made in accordance with the appropriate Federal agency cut-off time specified...The amount of the request shall be the sum of the payments issued in the series of disbursements."

A State must submit to [the federal government] an Annual Report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends...a State must submit a description and supporting documentation for liability claims greater than \$5,000 (31CFR Part 205.26).

Condition

We noted the following instance across the State in which the composite clearance method was not appropriately followed:

For the Highway Planning and Construction Cluster, we noted that out of thirteen draws selected, seven were made five days subsequent the midpoint of the group of composite disbursements, and five were made six days subsequent to the midpoint of the group of composite disbursements. The weighted average clearance for all

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

disbursements per the Treasury-State agreement is seven days. Total drawdowns included in the sample were \$28,334,717, of which \$15,272,218 was drawn on the fifth day and \$13,072,499 was drawn on the sixth day.

The State reported no interest liability on its annual report for the year ended June 30, 2006.

Cause

The State's Office of Management and Budget (OMB) has overall responsibility for the State's compliance with the Treasury-State agreement, including:

- Negotiation of the Treasury-State agreement,
- Determination of and distribution to program agencies of weighted average days outstanding for programs under the composite clearance method,
- Oversight of the State's cash management activities, and
- Reporting to the federal government regarding annual interest liabilities.

Although the State's OMB continues to work toward implementation of the prior year audit recommendations, there are still no formalized Statewide policies and procedures regarding federal cash management. Agencies have not received copies of the executed Treasury-State agreement. Additionally, there has been no formal training for individuals responsible for federal cash management activities.

Effect

Many agencies are unclear regarding appropriate application of the terms of the Treasury-State agreement.

Per the Department of Treasury's Website (<http://fms.treas.gov>), for States with a fiscal year that began on July 1, 2005, the annualized interest rate is 4.18% (0.0418). The daily interest rate is 0.01144% (0.0001144).

Recommendation

We recommend that the State's OMB continue with its corrective action plan including the following initiatives:

- Develop Statewide policies and procedures related to federal cash management activities,
- Provide copies of the Treasury-State agreement to each impacted agency, and
- Provide periodic training sessions for individuals responsible for federal cash management activities.

Questioned Costs

Known interest liability due to the federal government calculated on the above instance is as follows:

Condition Above	Amount	Days	Interest Rate	Liability
1a.	\$ 15,272,218	2	.0001144	\$ 3,494
1b.	13,072,499	1	.0001144	1,495
Total Known Interest Liability Due				\$ 4,989

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Year ended June 30, 2006

Such amounts were not reported in the State's annual interest report.

Views of Responsible Officials

Agency Contact Name	John D. Nauman
Agency Contact Phone Number	302-672-5129
Corrective Action Plan	The State of Delaware through the Office of Management and Budget (OMB) and the Division of Accounting will put in place a training program to help the agencies better understand and follow Federal guidelines with cash management. By working with the staff in the affected agencies OMB will be able to deliver effectively and efficiently any new information and allow the agencies a resource if questions arise on cash management policy. The training will include but will not be limited to a review of the selected funding techniques and a link to the latest copy of the Treasury-State agreement. Lastly, OMB will add citation on cash management policy to Budget and Accounting Manual.
Anticipated Completion Date	December 2007

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Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Office of Management and Budget

Reference Number:

06-OMB-02

Program:

64.005 Grants to States for Construction of State Home Facilities

Type of Finding:

Reportable Condition

Compliance Requirement(s):

Allowable Costs

Criteria

Per terms of the grant agreement with Veterans Affairs, the federal government will reimburse 65% of all allowable costs, not to exceed \$19,478,301, incurred during the reimbursement/project period (to be reported by recipients on financial status reports).

Allowable expenditures include:

- Architectural & engineering fees
- Project inspection fees
- Construction costs
- Equipment needed to complete project

Unallowable expenditures include:

- Administrative or legal fees
- Land acquisition costs
- Relocation expenses
- Demolition

Condition

Per review of communications from the Department of Veterans Affairs (VA), we noted that the VA allowed reimbursement of project expenditures from July 26, 2004 forward. In reviewing the detailed list of project expenditures included in the reimbursement request, we noted that \$29,911 of disallowed expenditures were included in the base calculation for the drawdown request. These costs were for allowable purposes per terms of the grant agreement, but are considered disallowed because they were incurred outside of the VA approved reimbursement period.

We did note, however, that actual total expenditures were reduced by \$57,332 (reduction of actual down to project budgeted expenditures) to arrive at amounts requested in the drawdown. As a result, the amount received from the federal government was less than the total allowable amount.

Cause

Management review of drawdown requests and related supporting documentation did not detect the inclusion of disallowed costs in the base calculation.

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Year ended June 30, 2006

Effect

OMB included costs incurred outside of the VA approved reimbursement period in their base calculation for the drawdown request.

Recommendation

We recommend that OMB implement internal controls to ensure that the identification of errors in the allowable cost base occurs prior to drawdown request and financial report submission.

Questioned Costs

There are no questioned costs related to this finding.

Views of Responsible Officials

Agency Contact Name	Sandra R. Stump
Agency Contact Phone Number	(302) 672-5106
Corrective Action Plan	Prior to the onset of federal projects, OMB will implement internal controls to ensure only allowable costs are submitted for reimbursement.
Anticipated Completion Date	Immediately

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Office of Management and Budget

Reference Number:

06-OMB-03

Program:

64.005 Grants to States for Construction of State Home Facilities

Type of Finding:

Material Noncompliance, Material Weakness

Compliance Requirement(s):

Davis-Bacon Act

Criteria

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Condition

During fiscal year 2006, \$10,836,858 in federal funds were expended in a construction project for which the contractor did not contemporaneously submit certified payroll records to the State. The project was 65% federally funded.

Although the Office of Management and Budget was aware that the federal prevailing wage rates applied and the contractors were so informed, the Office of Management and Budget did not have policies and procedures in place to require submission of and monitor certified payrolls.

Cause

Federally funded construction projects are infrequent for most State agencies, including the Office of Management and Budget.

Under State law, State-funded construction projects follow a separate set of prevailing wage rate regulations. Under these regulations, contractors are not required to submit certified payrolls to the State of Delaware but must retain them on file for a period of three years. The State Department of Labor, Division of Labor Law Enforcement, is responsible for oversight of prevailing wage rates for State-funded construction projects, but does not have responsibility for federally funded projects.

Effect

Differences between State and Federal requirements concerning prevailing wage rates have resulted in a lack of clarity concerning requirements and responsibilities related to federally funded or jointly funded construction projects.

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Year ended June 30, 2006

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the Office of Management and Budget develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Questioned Costs

Questioned costs are not determinable.

Views of Responsible Officials

Agency Contact Name	Sandra R. Stump
Agency Contact Phone Number	(302) 672-5106
Corrective Action Plan	OMB believes that the responsibility to adhere to the guidelines of the Davis-Bacon Act lies in the purview of the State Dept of Labor. In addition, Requests for Proposals (RFP's) and contracts include language addressing compliance to federal and state guidelines.
Anticipated Completion Date	Immediately

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Department of Health and Social Services

Division of Substance Abuse and Mental Health

Reference Number: 06-SAM-01

Program: 93.959 Block Grant for the Prevention and Treatment of Substance Abuse

Type of Finding: Material Noncompliance, Material Weakness

Compliance Requirement(s): Allowable Costs

Criteria

To be allowable under federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- Be allocable to federal awards under the provisions of this Circular.
- Be adequately documented.

Condition

In our sample of 30 non-payroll transactions from fiscal year 2004 (total sample \$322,080), we noted 2 items for administrative costs (total \$1,457) that were allocated to the Block Grant for the Prevention and Treatment of Substance Abuses on the basis of total funding available from various funding streams rather than actual usage of these services (i.e., Attorney General charges) by the program. The allocation process was not corrected in fiscal year 2006 by the program.

Total non-payroll costs other than contractual services for client service charged to the cluster for fiscal year 2006 were \$45,609.

Cause

Administrative expenses have historically been charged on the basis of availability of funding streams rather than actual usage.

Effect

Amounts allocated to the Block Grants may be disproportionate to the benefit received by the program from the goods or services provided.

Recommendation

We recommend that the Division develop procedures to allocate administrative costs on the basis of actual usage of goods or services by the program.

Questioned Costs

Questioned costs are \$45,609.

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Section 3: Federal Awards Findings and Questioned Costs

Year ended June 30, 2006

Views of Responsible Officials

Agency Contact Name	Benjamin J. Klein
Agency Contact Phone Number	(302) 255-9153
Corrective Action Plan	Procedures have been developed to ensure that administrative costs charged to the Block Grant are for actual goods and services related to grant objectives. These procedures are being implemented on a pilot basis during FY07 and will be finalized by the end of the fiscal year.
Anticipated Completion Date	June 30, 2007

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year ended June 30, 2006

Matrix of Findings by Federal Agency

Finding	USDA	DOD	DOI	DOJ	DOL	DOT	VA	EPA	ED	EAC	HHS	DHS
Prefix	10	12	15	16	17	20	64	66	84	90	93	97
06-AGI-01											X	
06-AGI-02											X	
06-COE-01										X		
06-COE-02										X		
06-COE-03										X		
06-CSE-01											X	
06-CSE-02											X	
06-CSE-03											X	
06-CYF-01											X	
06-CYF-02											X	
06-DEM-01				X								X
06-DEM-02				X								X
06-DEM-03				X								X
06-DEM-04				X								X
06-DEM-05												X
06-DMMA-01											X	
06-DMMA-02											X	
06-DMMA-03											X	
06-DMMA-04											X	
06-DMS-01	X										X	
06-DNG-01		X										
06-DNG-02		X										
06-DNR-01								X				
06-DNR-02								X				
06-DNR-03								X				
06-DNR-04								X				
06-DNR-05			X									
06-DOA-01				X								X
06-DOL-01					X							
06-DOL-02					X							
06-DOL-03												
06-DOT-03						X						

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year ended June 30, 2006

Finding	USDA	DOD	DOI	DOJ	DOL	DOT	VA	EPA	ED	EAC	HHS	DHS
Prefix	10	12	15	16	17	20	64	66	84	90	93	97
06-DPH-01	X							X			X	
06-DPH-02	X											
06-DPH-03	X											
06-DPH-04	X											
06-DPH-05											X	
06-DPH-06											X	
06-DPH-07											X	
06-DPH-08											X	
06-DPH-09											X	
06-DPH-10											X	
06-DPH-11											X	
06-DPH-12											X	
06-DPH-13											X	
06-DPH-14											X	
06-DPH-15											X	
06-DSS-01											X	
06-DSS-02	X											
06-DSS-03											X	
06-DTC-01									X			
06-DTC-02									X			
06-DTC-03									X			
06-DTI-01	X				X	X					X	
06-ED-01									X			
06-ED-02									X			
06-ED-03									X			
06-ED-04									X			
06-ED-05									X			
06-ED-06									X			
06-ED-07									X			
06-ED-08									X			
06-ED-09									X			
06-ED-10	X											
06-ED-11									X			

STATE OF DELAWARE

Schedule of Findings and Questioned Costs

Matrix of Findings by Federal Agency

Year ended June 30, 2006

Finding	USDA	DOD	DOI	DOJ	DOL	DOT	VA	EPA	ED	EAC	HHS	DHS
Prefix	10	12	15	16	17	20	64	66	84	90	93	97
06-OMB-01						X						
06-OMB-02							X					
06-OMB-03							X					
06-SAM-01											X	